MACKENZIE FINANCIAL CORPORATION

Mackenzie

ANNUAL REPORT

1996

Invest Wisely...

It's the most important reminder we give to our fund investors: be an informed, educated investor and, most importantly, use the services of an independent investment professional to set long-term investment goals and the right combination of products and services to ensure success.

We follow the same rules in managing our own business. We invest in the right people, in the right technology and in the detailed planning necessary to ensure that we profitably grow over the long term. This approach benefits not only our own shareholders, but also our fund investors, our employees and the communities in which they live and work.

For The Long Term.

Mackenzie
Building Financial Independence

YOUR COMPANY

Mackenzie Financial Corporation is one of Canada's largest mutual fund organizations, managing approximately $12.8 billion in 35 mutual funds on behalf of almost one million Canadian investors. In addition, directly or through subsidiary companies, we provide investment advisory services to private client accounts, manage mutual funds distributed in the United States and operate Canadian trust company and administrative businesses designed to complement and expand our core mutual fund business. In total, we directly manage approximately $17 billion of investor monies and administer a further $6 billion invested by Canadians in other products and services.

OUR THANKS

We are entering our twenty-ninth year with the most diversified line-up of products and services in our history and the broad support of a strong, independent dealer network. We are indebted to all of our fund investors and independent dealers for the confidence they have demonstrated by investing with us, and to our own employees whose efforts have created the foundation for that confidence and our continuing success.

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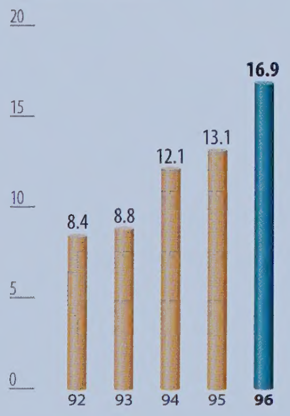
Financial Highlights

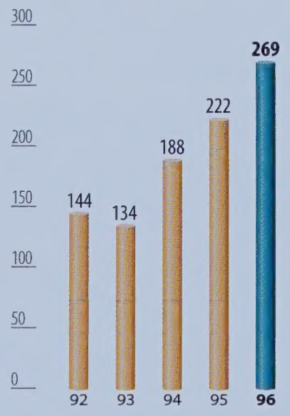
For the years ended March 31
(millions of dollars except per share figures)

	1996	1995	1994	1993	1992
Assets under administration	**$ 16,884**	$ 13,100	$ 12,122	$ 8,773	$ 8,371
Total revenue	**269**	222	188	134	144
Earnings before depreciation and amortization, income taxes and equity in earnings of affiliated companies	**113**	88	63	41	70
Depreciation and amortization	**46**	34	22	15	13
Provision for income taxes	**31**	25	20	14	28
Equity in earnings of affiliated companies	**5**	1	15	6	1
Net earnings	**41**	30	36	18	30
Earnings per share	**0.69**	0.50	0.61	0.31	0.52
Dividends per share	**0.14**	0.12	0.11	0.10	0.09
Book value per share	**4.84**	4.29	3.91	3.39	3.18
Cash flow from operating activities	**83**	102	46	30	39
Operating cash flow per share	**1.40**	1.71	0.78	0.52	0.68
Number of shares outstanding (millions)	**59.6**	59.3	59.3	58.1	57.9

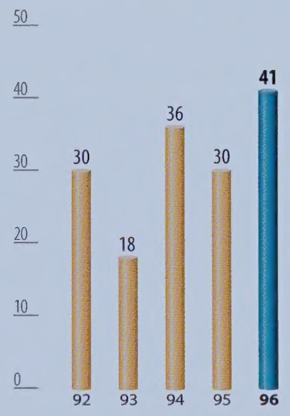
TOTAL ASSETS UNDER ADMINISTRATION
(in billions of dollars)



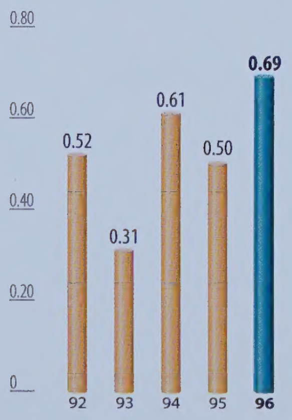
TOTAL REVENUE
(in millions of dollars)



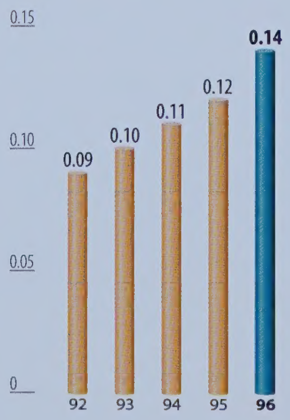
NET EARNINGS
(in millions of dollars)



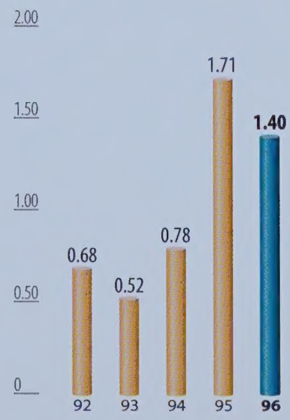
EARNINGS PER SHARE
(in dollars)



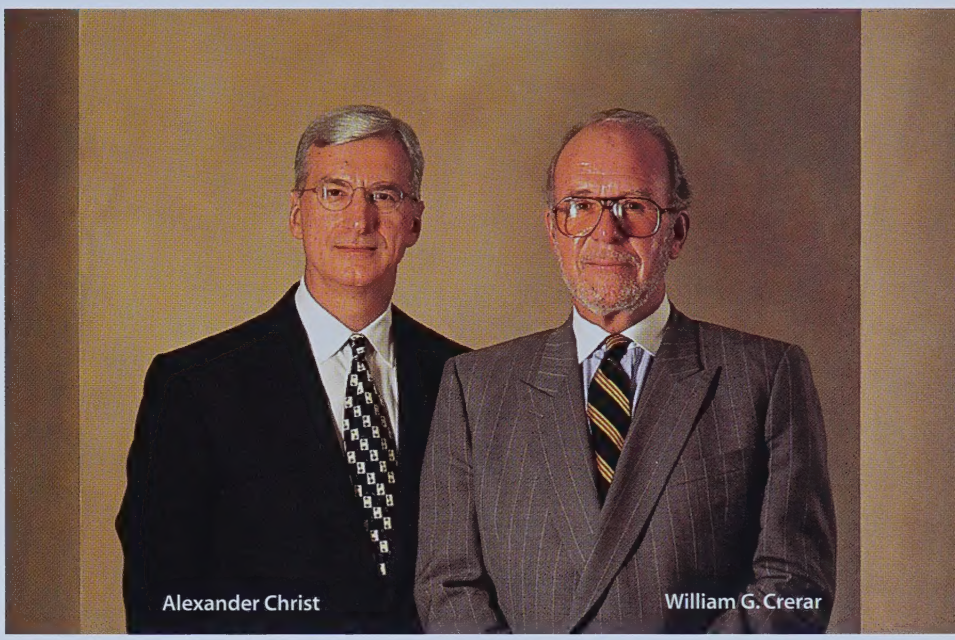
DIVIDENDS PER SHARE
(in dollars)



OPERATING CASH FLOW PER SHARE
(in dollars)



Report to the Shareholders


Alexander Christ William G. Crerar

Last year, we reported to you solid improvements in assets under administration, total revenue and net earnings from operations. We are pleased to report that in our fiscal year ended March 31, 1996, we achieved continued gains in each of these categories.

During this past year, we carried out our objectives of broadening our products and services to fund investors, increasing education and support to the independent dealers who distribute our fund products, and investing heavily in our administrative support systems.

The further improvements this year were a direct result of those efforts. We will continue to dedicate management time and capital to each of those areas because they remain fundamental to the growth of our business.

As you review the detailed information in this Annual Report relating to each of our business segments, you will see a more meaningful contribution by our subsidiaries to our overall profitability. They are a growing complement to the continued performance of our core Canadian mutual fund operations and we expect their contribution to increase again this year.

The growth prospects for the mutual fund industry in Canada and in the United States are excellent. With our broad product base, strong acceptance within the dealer community and substantial capital resources, we believe the Corporation is well positioned to compete effectively in the current year and beyond.

Thank you for your continuing support.

July 15, 1996

ALEXANDER CHRIST
President and Chief Executive Officer

WILLIAM G. CRERAR
Chairman

Operating Review

The Corporation

The ongoing creation of value, for the Corporation's shareholders and investors, is a key measure of success. Mutual fund investors and private clients demand it. As shareholders, you expect it. And the independent dealers who distribute our fund products and services require it to make their own efforts effective.
There are three elements to creating value:
- investing client and corporate resources wisely;
- planning for the future; and
- providing outstanding service and business execution.

The success of the Corporation in fiscal 1996 was, in large part, a result of strategic initiatives undertaken in the early 1990's. Ongoing investments in personnel, our distribution network, new financial products and technology were the base for recent increases in shareholder value. The execution of these initiatives by employees and dealers resulted in a gratifying year for all associated with this company.

INVESTING

To invest wisely, the Corporation's portfolio managers strive to take advantage of good markets, while protecting investors' capital and accumulating value positions in declining markets. In fiscal 1996, ten of the Corporation's Canadian funds achieved top quartile performance when compared to their peers.

During fiscal 1996, our Canadian and U.S. mutual fund customers earned $2.2 billion in interest, dividends and net asset value appreciation. As a result of this performance, and relying on the advice of their financial advisors, investors entrusted more of their assets to the Corporation. Canadian and U.S. mutual fund assets under administration grew from $11.3 billion on March 31, 1995 to $15 billion on March 31, 1996.

For shareholders, the Corporation's price per share started the year at $8.13 and ended at $13.00. We paid dividends in the amount of $8.3 million (1995 - $7.1 million).

Net earnings, before equity in earnings of affiliated companies, increased for the third year in a row from $11.8 million for the year ended March 31, 1993 to $35.5 million for the year ended March 31, 1996. Over the same period, total earnings per share has grown from $0.31 to $0.69. For the first time, the combined efforts of our subsidiaries, Mackenzie Investment Management Inc. and M.R.S. Trust Company, have made a meaningful contribution to our earnings per share of $0.07 for the year ended March 31, 1996, versus approximately $0.01 for the prior year.

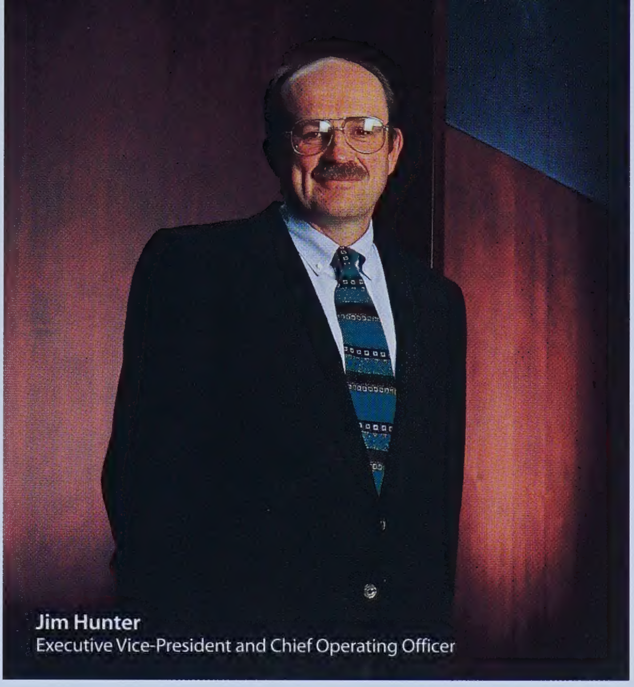
PLANNING

Our planning is based on a simple goal "to provide outstanding investment products and services to complement the ability of financial advisors to meet the investing needs of their clients." If business initiatives don't meet this goal, they are unlikely to be allocated resources or capital. Because our investment in software developer Versa Management Systems Limited no longer met this goal, we sold our remaining 50% ownership of that company to its management in early fiscal 1997. We wish our colleagues in this software business continued success in the years ahead.

Looking forward, management will pursue returns on equity above 15% for the Corporation and each of its subsidiaries. New products to broaden and expand our revenues and utilize existing capacity, while applying cost control measures, continue to be a focal point of our strategy for achieving the return on equity target. Over 30 changes were made to our investment products and services in fiscal 1996.

The steady execution of well tested, enterprise-wide plans has been a significant factor in our recent success. The programs to expand the breadth of products and services have, with the helping hand of industry and market value growth, increased our consolidated revenue by 101% since the year ended March 31, 1993.

Focused accountability to eliminate redundancy, increase efficiency and improve services has resulted in a decrease in consolidated selling and general administrative expenses as a percentage of revenue from 48.8% to 35.9% over the same period. Equally important, a drive to reduce our largest expense — commission financing costs — led to a six-fold increase in operating cash flow since fiscal 1993 (before the impact of non-cash balances related to operations are considered).


Jim Hunter
Executive Vice-President and Chief Operating Officer

While enterprise-wide planning is a discipline we follow rigorously, we never confuse plans with results. Our compensation is generous for those who turn aggressive initiatives into actual increases in shareholder value — the key focus of our planning.

SERVICE AND EXECUTION

Within our three separate fund families and our STAR strategic asset allocation service, we offer one of the most diversified product line-ups in Canada. Aggregated, the Corporation's fund assets support one of the most efficient back offices in the industry where economies of scale are critical. By steadily attracting new investor monies, our fund operating expenses will continue to drop for the benefit of the Corporation's fund investors.

To reduce operating expenses further, the Corporation must maintain state-of-the-art technology. Several technology initiatives were undertaken to improve service and reduce expenses:

- Interactive Voice Response "IVR" systems now take over 900 calls a day which were previously handled by staff. This is an increasingly convenient way for our fund investors to access services on a confidential basis, such as fund prices, portfolio manager commentary and individual account information.
- Imaging and Electronic Document Management technology are currently used on approximately 35% of all mail received by the Corporation. Imaging is a technology platform that will eventually decrease the cost of transactions, a key variable in our funds' management expense ratios. We have reached our goal of scanning and imaging substantially all investor and dealer mail, and will be re-engineering the workflow for all major transaction processes by June 30, 1997. This technology, when fully implemented, will allow customer service representatives to immediately access investor documents on their computer terminals when responding to service queries.
- Our telephone monitoring has been enhanced with new hardware and software to improve staff scheduling, call monitoring and training. Service calls are taped and continuously reviewed with individual customer service representatives to improve the effectiveness of staff responses to service issues.

The payoff from tactical product execution should also be self-evident to shareholders. Some examples include:

- Several funds within The Industrial Group of Funds have been repositioned to provide greater diversification and investor appeal. New fund sales and market appreciation have increased the assets of this fund group to $8.5 billion as at March 31, 1996 from $5.4 billion as at March 31, 1993.
- The Ivy Funds, launched in 1993, have now surpassed $1.8 billion in assets and contribute approximately $34 million to annualized revenue versus nil four years ago.
- The Universal Funds, purchased in 1993 have grown from $296 million in assets to $2.6 billion at March 31, 1996, and contribute approximately $51 million annualized revenue versus nil three years ago.
- STAR, our strategic asset allocation service launched in January 1995, is working to reduce investor risk and to bring together a broader array of asset classes and financial markets. STAR has attracted new assets more quickly than any other product launched by the Corporation — these assets will likely exceed $1 billion by the time we distribute this Annual Report. STAR was voted the top initiative in 1995 by TOP FUNDS.

Although outstanding investment management is the foundation for our business, we add value to this foundation by applying world class marketing and dealer support to our product line-up. In fiscal 1996, Dalbar (the industry's rating service) again rated the Corporation the number one marketing organization in our industry in Canada. The results of outstanding marketing execution include an increase in gross and net sales of the Corporation's Canadian mutual funds year-over-year by 30% and 106% respectively, to $3.9 billion and $1.9 billion.

SUBSIDIARY OPERATIONS

During fiscal 1996, for the first time our subsidiaries became more than simply exciting prospects. Financial returns in these entities approached acceptable levels and are expected to increase during the current fiscal year and beyond.

M.R.S Trust Company ("MRSTC") and Multiple Retirement Services Inc. ("MRSI")

These businesses were acquired to broaden the Corporation's product and service platform. Our strategy is to cross-sell these products to the same dealer network that distributes the Corporation's Canadian mutual funds. To keep the independent dealers competitive and viable, they need an expanded line-up of competitive financial products and services to counter the bank products. This platform currently provides wholesale trust, mortgage, customer deposit, self-administered plan and security transaction processing services to that dealer network.

In this environment, these businesses are developing, and the business strategy is beginning to achieve expected returns for shareholders. MRSTC had revenues of $28.5 million for the year ended March 31, 1996 — a 26% increase over fiscal 1995. Net earnings for the same period amounted to $1.4 million versus a small loss in the prior year.

MRSTC's total on-balance sheet assets increased to $311 million at March 31, 1996 from $239 million at March 31, 1995. However, equally important is the growth in the off-balance sheet businesses such as mortgage-backed securities, mortgage administration and the Ivy Mortgage Fund. Revenue has increased for MRSTC in every area of operation, including fee generating assets, registered accounts and mortgage services.

These financial improvements were accomplished while reducing the valuation risk profile of the trust company's balance sheet lending businesses. NHA mortgages, treasury bills and high quality bankers acceptances increased during the year as a percentage of assets from 72.9% at March 31, 1995 to 86.6% at March 31, 1996. Allowances for credit losses as a percentage of non-performing loans increased from 51.6% to 74.5% over the same period, to cover costs on the wind-down of the company's commercial loan portfolio underwritten prior to 1992.

Fiscal 1997 will be an aggressive product development and launch year for MRSTC. Dealer demand for expanded loan and account administration services are the focus of these developments. New products and services should, with moderate market acceptance, continue the recent improvements in the Company's financial performance.

MRSI, our self-administration account services business, also improved its financial performance. However, the importance of MRSI to the Corporation's operation is still based more on its support of the independent dealer network and future earnings potential than current financial results.

MRSI is the vehicle that delivers MRSTC products to financial advisors and their clients. MRSTC does not have the branch infrastructure of a traditional retail trust company and accordingly, is reliant solely on financial advisor sales of their services. MRSI is a major distributor of MRSTC's CDIC insured deposit accounts, investment and RRSP accounts and several other dealer focused services.

MRSI has continued to increase the number of accounts it administers. In the year ahead, management plans to introduce RRSP and investment accounts that comply with Investment Dealers Association member firms' rules for registered products, improve securities trading services and launch an asset allocation service similar to the Corporation's award winning STAR strategic asset allocation service. These initiatives should further increase the growth in new accounts. A broader array of services will also provide the financial contribution necessary to achieve reasonable returns on capital employed in this business in the years ahead.

Mackenzie Investment Management Inc. ("MIMI")

The investment expertise of our U.S. subsidiary's management team is increasingly gaining dealer support.

MIMI's U.S. mutual fund assets under administration increased 36.4% to $2.1 billion. In addition, the Corporation's Canadian mutual fund assets managed by MIMI personnel increased 84% to $765 million.

This asset growth led to revenue of $26.9 million for the year ended March 31, 1996 versus $20.2 million for the previous year. Net earnings increased to $2.6 million for the year ended March 31, 1996 versus $541 thousand for the previous year. Looking ahead, MIMI will continue to utilize prior tax losses to leverage current and future earnings.

Sales of U.S. mutual funds grew to $711 million for the year ended March 31, 1996 from $336 for the year ended March 31, 1995. More importantly, U.S. mutual fund sales in each of the last three months of the year exceeded $80 million. Percentage growth in assets under administration of MIMI's U.S. fund business exceeded that of the Corporation's Canadian mutual fund business, which also enjoyed one of its best years ever in fiscal 1996. These trends reflect the concerted effort by MIMI management to build a team of world class investment managers and to broaden their U.S. distribution. Increasingly, Ivy Fund sales by major U.S.-based distributors such as Merrill Lynch, Smith Barney, Linsco Private Ledger and Charles Schwab & Co., Inc. are a reflection of the interest MIMI's U.S. investment managers are attracting. Ivy Emerging Growth Fund recently received a five-star rating from Morningstar, a respected U.S.-based mutual fund rating service. This is the second such rating received by MIMI's funds, which should help increase sales in the year ahead.

MIMI's strategy is to focus on the international and special niches in the U.S. market. These niches are underserved and generally enjoy better profit margins relative to other fund sectors in that market. To build further credibility in the international arena, MIMI opened modest research offices in Shanghai, China and Prague, Czech Republic in the fiscal year. In addition, our U.S. international team launched the "New Century Investor" newsletter for investors, which has been well received by customers in both Canada and the United States.

The United States is the home of the growth business. Its large free market is the engine for much of the world's economic growth. MIMI has all of the growth characteristics needed to add value into the future for shareholders: the large free market, a growing business, improving financial results, and most importantly, business and investment management strength.

Midland Walwyn Inc.

The Corporation's investment in Midland Walwyn Inc. — Canada's largest independent brokerage firm — also increased the contribution to our earnings from $0.8 million in the year ended 1995 to $5.1 million for the year ended March 31, 1996. Many of the positive economic factors that have impacted the asset appreciation of the Corporation's mutual fund business have also helped improve Midland's results.

Conclusion

While most of our business has performed extremely well, we continue to change — to pursue growth opportunities, to respond to the needs of our investors and to regulators, and to attain service targets where necessary to meet increasing customer and dealer expectations.

Looking ahead, the Corporation's management is optimistic that we can continue to enhance shareholder value.

Although we are mindful of the impact market corrections can have on our business, over the long term, we believe conditions supporting further industry growth will prevail.

These have been the accomplishments, attributed to the diligence of our employees and a unique business "partnership" with financial advisors for which we are thankful. The detailed results of investing wisely, planning carefully and superior execution are more fully explored on the pages that follow.

James L. Hunter

JAMES L. HUNTER
Executive Vice-President and Chief Operating Officer

Management's Discussion and Analysis

of Financial Condition and Results of Operations

The five officers shown, plus Alex Christ and Bill Crerar, comprise the Corporation's Executive Committee.

Introduction

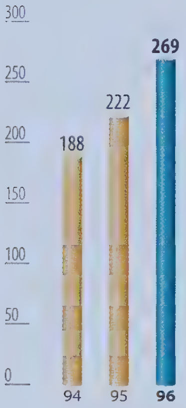
This Management's Discussion and Analysis will describe each of the Corporation's current business activities in greater detail, review the financial results of operations during fiscal 1996, fiscal 1995 and fiscal 1994 and provide an outlook on the future prospects for the Corporation. The following abbreviations have been used in the balance of this discussion to refer to the Corporation's subsidiaries and investments:

- **MFSI** Mackenzie Financial Services Inc.
- **MIMI** Mackenzie Investment Management Inc. and its subsidiaries
- **MLP** Mackenzie Master Limited Partnership
- **MRSI** Multiple Retirement Services Inc.
- **MRSTC** M.R.S. Trust Company
- **MSP** Mackenzie Securitized Partnership
- **MWCI** Midland Walwyn Capital Inc.
- **MWI** Midland Walwyn Inc.

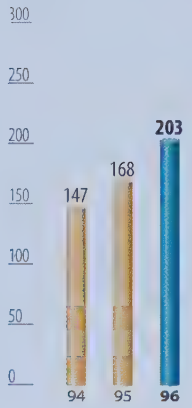
The Corporation's core business activity is the provision of management services to public mutual funds and other pooled fund clients in Canada and the United States. In Canada, the Corporation provides investment management, administration and marketing services to 35 mutual funds comprising the Industrial, Ivy and Universal fund groups. In the United States, the Corporation's subsidiary, MIMI, provides similar services to 17 mutual funds comprising the Ivy and Mackenzie fund groups.

The Corporation's second major business activity is the Canadian trust company operation carried on by MRSTC. This subsidiary provides trustee services to the registered plan products offered by the Corporation and another subsidiary, MRSI, and carries on a traditional customer deposit and mortgage lending business.

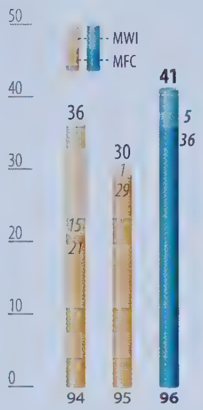
TOTAL REVENUE
(in millions of dollars)



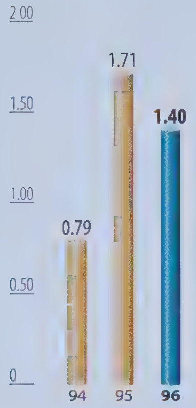
TOTAL EXPENSES
(in millions of dollars)



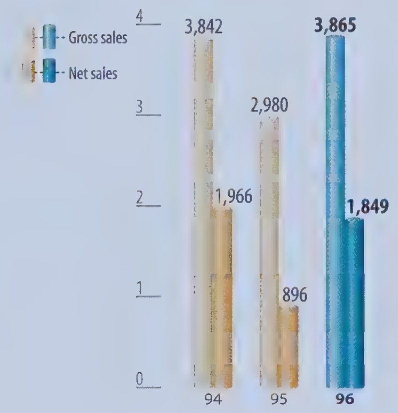
NET EARNINGS – MFC & MWI
(in millions of dollars)



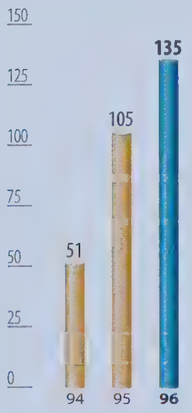
OPERATING CASH FLOW PER SHARE
(in dollars)



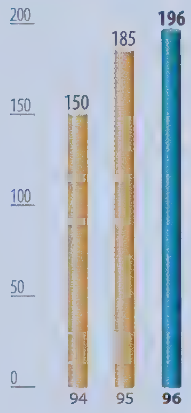
CANADIAN GROSS & NET SALES
(in millions of dollars)



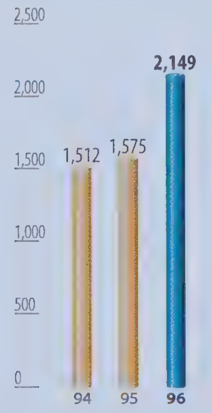
MRSTC – NHA INSURED MORTGAGES
(in millions of dollars)



MRSI – REGISTERED ACCOUNTS
(in thousands)



MIMI – U.S. MUTUAL FUND ASSETS UNDER ADMINISTRATION
(in millions of Cdn dollars)



The Corporation's third major business activity is the administrative services business conducted by its subsidiary, MRSI. That subsidiary offers self-directed RRSP and RIF plans and a broadening range of other financial services products.

The Corporation continues to maintain a minority equity investment in MWI, the parent company of the brokerage firm MWCI, but is not active in day-to-day management of those companies. Subsequent to its March 31, 1996 fiscal year end, the Corporation completed the sale of its remaining 50% interest in Versa Management Systems Limited, a computer software systems supplier, to the management of that Company.

Management Services – Canada

MANAGED ASSETS At March 31, 1996, the Corporation's Canadian mutual fund assets within The Industrial Group of Funds, the Ivy Funds and The Universal Funds collectively represented approximately $12.8 billion, up from $9.7 billion in 1995 and $8.8 billion in 1994. The Corporation also managed assets of approximately $1.9 billion on behalf of its private pooled fund clients. The amount of managed assets for private pooled fund clients has been relatively constant for the past three years. One of our private clients has decided to restructure its fund to adopt a "multi-manager" structure. These fund assets, which amounted to approximately $1.1 billion as of March 31, 1996, will be transferred effective July 31, 1996.

FUND SERVICES The Corporation provides the following principal services to its sponsored mutual funds:

- investment management services – directly using its own portfolio management team and indirectly by overseeing the portfolio management services provided by domestic and international sub-advisors;
- marketing services – including promotional and advertising materials describing the attributes of the funds and the benefits of mutual fund investing generally; and
- administration services – including transfer agency functions, fund accounting, daily valuation services and investor reporting services.

MANAGEMENT FEE REVENUE The Corporation receives management fees from each mutual fund in annual percentages ranging from 0.5% and 1.0% of net assets on money market funds, to 1.5% and 1.85% on fixed income funds and 2% on equity funds. The net assets of the funds are valued at market each day, except for money market funds which are reported on a fixed net asset value. The cost of providing all operating services required by the funds is generally reimbursed at cost to the Corporation, but marketing and distribution costs are payable by the Corporation from its management fee revenue. Mutual fund management fees represent the largest component of the Corporation's revenue (1996 - 66.7%; 1995 – 66.3%; 1994 – 63.7%).

The management fees received by the Corporation from its pooled fund clients are significantly lower than for mutual funds, and are generally below 0.5% of net assets. However, unlike the mutual funds, the Corporation incurs only nominal marketing and distribution costs to earn that revenue.

FACTORS AFFECTING FEE REVENUE The most important factors in maintaining and increasing the asset base from which the management fees are derived include:

- ***portfolio management*** – the investment performance and the expertise of the portfolio management team;
- ***diversified products and services*** – to appeal to a broad range of investment objectives of fund investors;
- ***dealer network*** – the acceptance of the funds by the independent dealer network, their clients, and the fund investors;
- ***interest rates and economic factors*** – the level of interest rates and other economic factors that promote movement among the asset classes offered by the funds, resulting in variations of the management fee percentages; and
- ***competitive factors*** – the ability to compete effectively within the Canadian mutual fund industry.

Each of these factors is discussed in greater detail in the following paragraphs.

Portfolio Management The Corporation provides portfolio management services to its three fund families on both a direct management basis and through the engagement of domestic and international sub-advisors. The nine portfolio management professionals directly employed by the Corporation to manage The Industrial Group of Funds, the Ivy Funds and certain funds in The Universal Funds group, have extensive management experience in both domestic and international stock and bond markets.

Many of the funds in The Universal Funds group are international stock and bond funds requiring foreign local management expertise, or funds that employ specialized investment strategies not presently utilized by the Corporation. The Corporation has engaged its subsidiary Mackenzie Investment Management Inc., Henderson Administration plc, Thornton Management (Asia) Ltd., Cursitor-Eaton Asset Management Company and Bluewater Investment Management Inc., to provide sub-advisory portfolio management services to the funds. Each of the sub-advisors was chosen on the basis of its track record managing similar fund products in its local markets and to complement the Corporation's own portfolio management services.

Diversified Products and Services During the past three years, the Corporation has significantly broadened its product line-up to create three separate and distinct fund families, offering a complete range of management styles, asset classes and geographical locales. Assets in The Industrial Group of Funds have grown to $8.5 billion from $7.8 billion in fiscal 1995, the Ivy Funds to $1.8 billion from just $535 million in fiscal 1995 and The Universal Funds to $2.6 billion from $1.4 billion in that same period. The diversification of the products and services offered by the

Corporation has contributed significantly to the ability to attract new investment monies.

Dealer Network The Corporation's funds and services are distributed through more than 18 thousand registered sales representatives of independent dealers, brokers and financial planners in every province and territory of Canada. The funds and investment services are generally available on either a sales charge (front load) or redemption charge (back load) basis, with full exchange privileges — and with industry competitive compensation arrangements.

The Corporation's marketing efforts to the dealer community focus upon providing research and educational information concerning the funds, investment strategies, co-operative advertising and seminar programs. This marketing process provides additional due diligence information on the funds and enables dealers to offer a higher level of service to new and existing fund investors.

To assist both dealers and investors, the Corporation maintains a comprehensive administration services system designed to process mutual fund orders and provide client account information promptly and efficiently. In many cases, computer terminals are installed directly in dealer office locations to facilitate order entry and information transactions.

Interest Rates and Economic Factors Over the past few years, the Corporation's asset base has diversified away from Canadian equity and fixed income assets. International equity and fixed income fund assets have increased over the past three years. The following table indicates the relative diversification of the Corporation's Canadian funds by generic fund type:

The Corporation continues to diversify its fund products, accommodating an aging population base which favours products with reduced volatility and, at the same time, to provide investment opportunities for other investors requiring a greater diversification of product. In addition, the extensive transferability of redemption charge securities among virtually all of the funds provides investors with greater flexibility to react to market changes or changes in personal investment objectives.

Although beneficial to investors, transferability could promote movement among the asset classes represented by the funds and adversely impact management fee revenue if there are significant transfers from the Corporation's higher margin equity funds into the lower margin fixed income funds.

The new STAR strategic asset allocation service was designed to provide lower volatility for different portfolio combinations. Each portfolio holds seven of the Corporation's funds, in part to promote longer-term investment periods and less need to consider transfers among the various asset classes represented by the funds.

Competitive Factors The Canadian mutual fund industry continues to be a highly competitive marketplace. There are currently three distinct distribution channels for the sale of mutual fund securities in Canada:

- banks and financial institutions;
- direct-to-public sales; and,
- the independent dealer network utilized by the Corporation and other fund organizations.

Fund Diversification *(millions)*	1996	%	1995	%	1994	%
Canadian equity funds	$ 5,457	42.5	$ 3,964	40.7	$ 3,812	43.3
International equity funds	1,738	13.5	1,005	10.3	766	8.7
Canadian fixed income/balanced funds	4,097	31.9	3,376	34.6	2,992	34.0
International fixed income/balanced funds	665	5.2	487	5.0	199	2.3
Mortgage funds	879	6.9	912	9.4	1,030	11.7
	$ 12,836	100.0	$ 9,744	100.0	$ 8,799	100.0

Although market share changes from year to year among the distribution channels, as of March 31, the relative industry market shares (based upon assets under administration) were approximately:

	1996	1995
Banks and financial institutions	**36.5%**	37.1%
Direct-to-public sales	**18.8%**	20.2%
Independent dealer network	**44.7%**	42.7%

Each of the distribution channels is affected by strong competitive factors which ultimately impact the Corporation's distribution success and profitability. To compete with the no sales charge fund products distributed by the banks and financial institutions, the Corporation and others in the independent dealer network channel developed "back load" funds in 1987. With these funds, no sales charge is deducted from the investor's purchase at the time of sale (a sales charge applies if the securities are redeemed within a fixed period of time). Instead, the Corporation pays a selling commission to the dealer at the time of sale. The Corporation absorbs the financing costs of paying that dealer selling commission up front, and those financing costs have reduced its profit margins. That reduction has been partially restored through greater operating efficiencies and increased asset retention.

To compete effectively with the direct-to-public channels, the Corporation has focused on increasing the public's brand recognition of its three fund families and its STAR strategic asset allocation service through increased advertising and marketing efforts. This has also narrowed profit margins. In addition, the Corporation has increased its education and due diligence support to the independent dealer community to enhance that community's ability to add value to the investment process and build sales.

During the past year, the market share of the distribution channel utilized by the Corporation (independent dealer network) increased to 44.7% and the Corporation was able to increase its own industry market share slightly to 7.8%.

The cumulative effect of these competitive pressures has been to reduce the equity fund annual net management fees to less than 1% of managed assets; the net management fees on international funds managed by sub-advisors to approximately 0.50%; and the net management fees on fixed income funds to approximately 0.65% of assets. Those net management fees in each case are before deduction of marketing, financing and general operating expenses incurred by the Corporation. The Corporation is continuing to pursue less expensive means of financing the selling commissions paid on sales of redemption charge securities. Its initiatives include the April 1996 issue of $100 million of unsecured senior debentures.

Investment performance, diversity of products, capital base, efficient administration systems and dealer relationships provide the means for the Corporation to remain a leader in the Canadian mutual fund industry. As a result of the positive contribution of these factors, long-term growth is expected in the Corporation's managed asset base. The achievement of that goal continues to be important in anticipation of continued downward pressures on profit margins.

Management Services – United States

In the United States, the Corporation's mutual fund management services are carried out by MIMI and its subsidiaries. In general, MIMI provides the same investment management, marketing and administrative services to its 17 sponsored funds as the Corporation provides to its funds in Canada.

In recent years, MIMI has increasingly concentrated on funds for international market investing, a niche in the United States fund industry which is less heavily occupied. MIMI has assembled a dedicated professional investment management team and analytical support staff to pursue investment in United States equities, domestic and international fixed income securities, and global securities in both developed markets and newer emerging markets.

This more specialized activity has resulted in solid gains in gross and net fund sales, assets under administration and profitability. MIMI closed the 1996 fiscal year with more than $2.1 billion under management, and provided investment management services to five of the Corporation's Canadian funds, representing a further $765 million of assets.

Approximately 84% of MIMI's gross fund sales last year were in its five-star rated Ivy International Fund. While the visibility and popularity of that fund is very welcome, its success has tended to overshadow the qualities of the other equity funds MIMI offers. MIMI is addressing that situation by vigorously promoting those other funds to its growing dealer distribution network.

During this past year, MIMI has broadened its dealer agreements with Merrill Lynch, Charles Schwab & Co., Inc. and Fidelity Investment Advisor Group which has significantly expanded the market share potential for its equity funds. Recently, MIMI received a second Morningstar five-star rating for its Ivy Emerging Growth Fund. This rating should assist the future sales potential of that fund. MIMI is confident that it can continue to expand total fund sales in the year ahead.

The United States mutual fund market is extremely competitive and, similar to the Canadian market, is dominated by the larger mutual fund organizations. MIMI's strategy of concentrating the bulk of its marketing and investment management activities in the specialized international and domestic fund markets, which have fewer competitors and higher profit margins, has enabled it to establish an impressive track record in those markets. It is well positioned to continue to grow its asset base and contribute more significantly to the Corporation's profitability.

Trust Company Operations

The Corporation's trust company operations are conducted by MRSTC on its own behalf and as trustee for the registered investment plan business conducted by the Corporation and MRSI. The initial purpose of the trust company operation was to provide trustee and administration services to the registered retirement savings plans, registered retirement income funds, registered education savings plans and group registered retirement savings plans offered by the Corporation. More recently, MRSTC has expanded its range of products and services beyond those registered trustee services. During 1995, MRSTC commenced an RRSP loans program for MRSI accounts, which for many years had been provided by other financial institutions. RRSP loans issued during the year ended March 31, 1996 amounted to $28.6 million ($10.3 million in 1995 and nil in prior years). Management expects this business to further expand in 1997 with the introduction of a Corporation-sponsored RRSP loan program.

MRSTC has also developed a traditional mortgage lending business, within the capital and regulatory parameters established by governing regulation and policy. Last year was the second consecutive year of profitable operations after two prior years of losses, due to difficulties within its commercial mortgage portfolio.

MRSTC has developed a program to aggressively manage mortgage arrears. The loan loss provisions as at March 31, 1996 are believed to adequately reflect current values. The table below provides specific details of the MRSTC mortgage portfolio.

MRSTC Statistics *(thousands)*	1996	1995	1994
MRSTC loans			
Consumer loans	$ 28,602	$ 10,255	$ —
NHA insured mortgages	135,074	105,250	51,216
Conventional residential mortgages	40,672	51,495	65,789
Conventional commercial mortgages	26,522	27,437	30,179
	230,870	194,437	147,184
Allowance for credit losses	(6,140)	(4,207)	(4,584)
	$ 224,730	$ 190,230	$ 142,600
Mortgage administration — third parties			
Institutional clients	$ 619,608	$ 647,177	$ 692,474
Mortgage backed securities	161,859	114,435	87,139
Ivy Mortgage Fund	71,535	24,113	8,746
	$ 853,002	$ 785,725	$ 788,359
Total loans administered	$ 1,077,732	$ 975,955	$ 930,959
MRSTC loan arrears *(over 60 days)*			
Consumer loans	0.04%	—	—
NHA insured mortgages	1.66%	0.81%	3.05%
Conventional residential mortgages	4.30%	2.86%	4.63%
Conventional commercial mortgages	22.71%	21.31%	23.09%
Net interest spread *(thousands)*	$ 6,583	$ 3,958	$ 1,613
Trusteed registered accounts *(thousands)*	416	369	321

During the past three years, MRSTC has improved the security on its loan portfolio by increasing the NHA insured mortgage portfolio and reducing commercial loans. Management believes that the arrears position in the commercial mortgage portfolio will improve in the year ahead.

In addition to its direct mortgage lending activities, MRSTC sources and administers high quality and insured mortgages for third party investors, the Corporation's Ivy Mortgage Fund and the mortgage-backed securities market. In fiscal 1996, MRSTC maintained four offices in three provinces staffed with mortgage officers to generate additional mortgage lending activity. A Calgary office was opened in fiscal 1995 to better service increasing residential mortgage business in that province. In some provinces, changing mortgage brokering legislation now allows MRSTC to source NHA mortgages from the same financial advisors who sell the Corporation's mutual funds.

MRSTC will continue to concentrate on developing specialized trustee services for the Corporation and MRSI, innovative financial products and expansion of trustee and administrative services to other parties. As a small, specialized trust company without an extensive branch network, MRSTC is not subject to many of the competitive factors that affect Canada's larger trust company organizations, although its customer deposits and mortgage lending activities are subject to the same economic factors. Total MRSTC operations continue to move steadily forward with an improved return on equity in fiscal 1996, and expectations for greater profitability in fiscal 1997.

Multiple Retirement Services Inc.

MRSI is an administrative services business offering self-directed retirement plans and other financial services products. MRSI presently has 196 thousand investor accounts (1995 – 185 thousand; 1994 – 150 thousand) representing approximately $7.4 billion of assets under administration (1995 – $5.6 billion; 1994 – $4.0 billion).

MRSI provides investor record-keeping, tax reporting and purchase and redemption processing services to its investor clients under arrangements which provide MRSI with an annual administration fee for each account. The Corporation's mutual fund investors comprise approximately 23% (by asset total) of the MRSI assets under administration. MRSI also enjoys strong support from a number of other major mutual fund organizations.

During the year, MRSI continued to acquire the necessary human resources to broaden its product line and enhance its service platform. Dealers are increasingly demanding a broader range of services to allow them to compete with other service providers who are able to cross-sell to their clients.

While service continues to improve at MRSI, much has yet to be done. MRSI has formulated an ambitious set of undertakings to be completed by management in fiscal 1997. Modifications to its account administration platform are underway to provide the following functionality:

- trustee services for IDA member firms;
- open accounts;
- enhanced securities trading capabilities;
- a broader array of loan products;
- transaction and commission-based fee alternatives to the current account-based fee; and
- multi-fund company asset allocation plans based on the technology developed for the Corporation's STAR strategic asset allocation service.

Management is also completing a major enhancement of MRSI's trading capabilities which, combined with wire order services offered last year, will provide for more timely trading. Customer statements have also been modified to provide, for the first time, account activity and other information needed to bring this service up to industry-leading standards.

With the trend towards increasing reliance by investors upon registered tax plans and the consolidation of their investments within a single plan to simplify personal administration, the Corporation believes that MRSI's business operations will continue to expand at a rapid pace. By doing so, MRSI will maintain its position as the largest provider of self-directed mutual fund plans in Canada to clients of independent financial advisors.

Other Investments

The Corporation owns approximately 20% of the ordinary shares of MWI, the holding company for the brokerage firm MWCI. A broad range of investment and financial advisory services are provided by MWCI to Canadian investors. This firm has the largest retail sales force of any independent brokerage firm in Canada. With its concentration on retail client products and services, MWCI is also expected to benefit from the same demographic changes predicted to benefit the mutual fund industry during this decade, as a large segment of the population approaches the peak pre-retirement saving and investing years.

Two of the Corporation's senior officers are directors of MWI, but the MWI and MWCI business operations are managed separately and without direction from the Corporation. In fact, some aspects of the MWCI operations (such as the Atlas Groups of Funds) are directly competitive with the activities conducted by the Corporation. However, MWCI continues to be a major distributor of the Corporation's mutual funds and provides valuable expertise in corporate finance and other areas when retained by the Corporation.

The Corporation accounts for its investment in MWI using the equity method, whereby its proportionate share of MWI after-tax earnings and losses are included in the Corporation's consolidated earnings.

Effective June 10, 1996 the Corporation sold the remaining 50% of its original investment in Versa Management Systems Limited to its management. This sale reflects the Corporation's strategy to eliminate its investment in a key supplier's business. The elimination of the Corporation's ownership position will now allow its management more leeway to explore other business opportunities in which the Corporation has no strategic interest.

Financial Results — Fiscal 1996 Compared with Fiscal 1995 and Fiscal 1994

(in thousands of dollars unless otherwise stated)

Revenue

Total revenue for the year ended March 31, 1996 increased by $47,837 or 21.6% to $269,409 from $221,572 last year and $187,623 for the year ended March 31, 1994.

The investment management services business provided by the Corporation and by MIMI represent the largest contribution to consolidated revenue. The significant growth in Canadian and U.S. mutual fund assets during the year ended March 31, 1996 resulted in a 28.9% increase in mutual fund and private client assets under administration to $16.9 billion from $13.1 billion as at March 31, 1995 and $12.1 billion as at March 31, 1994. The relevant components of assets under administration are shown in the following table.

Assets Under Administration *(millions)*

	1996	% Change	1995	% Change	1994
Canadian mutual funds	$ 12,836	31.7	$ 9,744	10.7	$ 8,799
U.S. mutual funds (Cdn$)	2,149	36.4	1,575	4.2	1,512
Private & institutional clients	1,899	6.6	1,781	(1.7)	1,811
Total assets under administration	$ 16,884	28.9	$ 13,100	8.1	$ 12,122

MANAGEMENT AND ADMINISTRATION FEES include fees charged to the Corporation's Canadian and U.S. mutual funds, investment advisory fees charged to private and institutional clients, registered plan account fees, third party services revenue and mortgage servicing, mortgage banking and mortgage origination fees generated by the trust business.

Management and administration fees, net of distribution fees paid to retail limited partnerships, increased by $36,860 to $226,374 in 1996 from $189,514 in 1995 and $159,587 in 1994 as detailed in the following table.

Source of Fees *(thousands)*

	1996	Change	1995	Change	1994
Gross Canadian mutual fund management and administration fees	$ 203,595	$ 34,244	$ 169,351	$ 30,614	$ 138,737
Distribution fees paid to limited partnerships	(23,914)	(1,385)	(22,529)	(3,285)	(19,244)
Net revenues from Canadian mutual fund management	179,681	32,859	146,822	27,329	119,493
Private account fees	4,064	(61)	4,125	(521)	4,646
U.S. mutual fund management	18,540	3,950	14,590	2,502	12,088
Registered plan account fees	19,040	2,752	16,288	5,151	11,137
Mortgage and trust administration fees	2,705	(1,355)	4,060	(145)	4,205
Other	2,344	(1,285)	3,629	(4,389)	8,018
	$ 226,374	$ 36,860	$ 189,514	$ 29,927	$ 159,587

The increase in net management and administration fees was attributable to the significant growth in mutual fund assets under administration in Canada and the United States. It was also due to the fact that the Corporation retained the incremental management fees attributable to the growth in assets by financing the payment of selling commissions internally as opposed to using limited partnerships.

Net sales of the Canadian-managed mutual funds in the amount of $1.8 billion and market appreciation of $1.3 billion, combined to provide a record year-over-year growth in assets of $3.1 billion to $12.8 billion from $9.7 billion as at March 31, 1995 and $8.8 billion as at March 31, 1994.

Similarly, after lacklustre performance of U.S. financial markets in our 1995 fiscal year, net sales of the U.S. managed mutual funds were $341 million. Combined with market appreciation of $276 million and distributions and exchange adjustments, this resulted in a year-over-year growth of $574 million in assets to $2,149 million from $1,575 million as at March 31, 1995 and $1,512 million as at March 31, 1994.

The increase in MRSI revenue, reported as registered plan account fees, is attributable to:

- the growth in accounts under administration to approximately 196 thousand from 185 thousand;
- an increase in termination fee revenue as a result of changing regulatory requirements and the decision by certain dealers to transfer the administration of their investor accounts in-house.

The decline in mortgage and trust administration fees relates to the transfer, during the year, of MRSTC's commercial mortgage origination business in British Columbia into a new company that is wholly owned by the former principals of the operation. As consideration for performing various administration functions for this operation, MRSTC continues to receive a portion of the revenues generated by this operation. However, MRSTC is no longer responsible for any of the related operating expenses that were recorded in its financial statements in prior years.

The decline in other management and administration fee revenue is primarily attributable to the sale of 50% of the Corporation's ownership in Versa Management Systems Limited to its key employees effective June 30, 1994, which resulted in the decision to account for the Corporation's share of Versa Management Systems Limited earnings using the equity accounting method rather than on a consolidated basis.

DISTRIBUTION REVENUE includes:

- redemption fees earned on the funds for which the Corporation and MIMI acted as primary distributor;
- revenue from direct investment in limited partnerships formed to pay selling commissions for sales of units of the Corporation's sponsored funds sold on a back load basis; and
- commission revenue on sales of MIMI's sponsored funds.

Distribution revenue increased by $4,771 to $14,901 for the year ended March 31, 1996 from $10,130 at March 31, 1995 and $7,127 at March 31, 1994 due primarily to the decision by the Corporation to fund selling commissions directly, rather than by utilizing additional limited partnerships. In early fiscal 1995, the Corporation formed Mackenzie Limited Partnership 1994, which directly funded $49 million in selling commissions.

INTEREST INCOME RELATING TO MRSTC LENDING OPERATIONS includes interest from mortgage and consumer RRSP loans, interest earned on MRSI investor cash float balances and mortgage-backed securities sales fee revenue. Interest relating to lending operations increased by $7,279 to $22,466 from $15,187 at March 31, 1995; and, $15,753 at March 31, 1994. The growth in the loan portfolio by $34,500 to $224,730 at March 31, 1996 from $190,230 at March 31, 1995, resulted in mortgage loan interest of $16,913 (1995 - $12,318; 1994 - $12,651) and interest on consumer loans to fund RRSP contributions of $635 (1995 - $112; 1994 - nil). Mortgage-backed securities sales fee revenue in the amount of $1,304 (1995 - $146; 1994 - $2,459) was included in interest income. Non-performing loans continued to have a negative impact on interest income in all three years.

INTEREST AND DIVIDENDS, which relate to the Corporation's portfolio of government and other securities, decreased by $1,028 to $5,732 at March 31, 1996 from $6,760 at March 31, 1995 and increased by $1,119 from $4,613 at March 31, 1994. The decline during the year was attributable to the Corporation's decision to fund the payment of selling commissions using its capital, in the amount of $138,168 (1995 - $32,876; 1994 - $97,340), to dealers who sell units of its Canadian and U.S.-managed mutual funds on a back load basis and the increase in sales as compared to the year ended March 31, 1995. In 1995, the Corporation formed Mackenzie Limited Partnership 1994, which funded selling commissions of $49 million, permitting the Corporation to maintain additional short-term investments. The decline in the prior year related to the increased funding of selling commissions directly and the acquisitions of MRSI and other mutual fund management companies, both in Canada and the U.S., referred to in previous annual reports.

Expenses

Total operating expenses increased by $35,067 or 20.9% to $202,908 at March 31, 1996 from $167,841 at March 31, 1995 and $146,688 at March 31, 1994.

GENERAL AND ADMINISTRATIVE EXPENSES increased by $11,208 to $96,858 at March 31, 1996 from $85,650 at March 31, 1995 and increased by $10,404 from $86,454 at March 31, 1994. The principal components of the increase were:

- variable distribution costs associated with the high level of gross Canadian mutual fund sales during the year, which increased by $6,225; and
- subadvisor fees, applicable to the growth in mutual fund assets under administration in Canada where the portfolio management is provided by independent subadvisors, which increased by $1,587.

Certain of the Corporation's distribution costs vary directly with sales of the Corporation's mutual funds. Those sales are detailed on the Mutual Fund Sales and Redemptions table below. These marketing programs are usually established one year in advance of implementation. The related expenses are recorded as the independent distributor is qualifying in accordance with each program's rules. Increases in fund sales will depress short-term profitability because the program costs are expensed before the assets arising from fund sales produce incremental management fees which exceed costs incurred. These variable expenses increased to $17,581 from $11,357 at March 31, 1995 and $17,016 at March 31, 1994.

Mutual Fund Sales and Redemptions *(In millions of dollars)*

	1996	Change	1995	Change	1994
Gross Sales					
Canada	$ 3,865	$ 885	$ 2,980	$ (862)	$ 3,842
United States	711	375	336	(82)	418
Total	$ 4,576	$ 1,260	$ 3,316	$ (944)	$ 4,260
Redemptions					
Canada	$ 2,016	$ (68)	$ 2,084	$ 208	$ 1,876
United States	370	42	328	98	230
Total	$ 2,386	$ (26)	$ 2,412	$ 306	$ 2,106
Net Sales					
Canada	$ 1,849	$ 953	$ 896	$ (1,070)	$ 1,966
United States	341	333	8	(180)	188
Total	$ 2,190	$ 1,286	$ 904	$ (1,250)	$ 2,154

In addition, during the year the Corporation provided investors with five new STAR portfolios and continued its aggressive marketing campaign for this strategic asset allocation service. Assets under administration in STAR increased to $ 716 million as at March 31, 1996 from $ 81 million at March 31, 1995.

Since 1992, the Corporation has diversified its product line to include not only the Ivy Funds but also The Universal Funds. During the year, the Corporation engaged the services of Bluewater Investment Management Inc. to provide subadvisory services to two Universal Funds, one of which was launched during the past year. The Universal Funds have permitted the Corporation to diversify its product line and enhance its international portfolio. Although some of The Universal Funds have investment advisory services provided by independent subadvisors, the subadvisor fees have decreased as a percentage of managed assets on a year-over-year basis.

MIMI general and administration expenses increased by $3,314 to $18,327 in 1996 from $15,013 in 1995 and $12,138 in 1994. The significant growth in Ivy International Fund assets under administration, for which the investment advisory service is provided by Northern Cross Investments Limited, increased subadvisor fees by $2,005. Additional compensation costs relating to the growth in assets under administration and the improved profitability of MIMI accounted for the remaining increase in expenses.

MRSI total expenses increased by $1,479 to $20,209 in 1996 from $18,730 in 1995 and $10,500 in 1994 of which $17,571 was included in general and administration expenses in 1996 as compared to $16,211 in 1995 and $9,085 in 1994. The expenses related primarily to the hiring of additional personnel and the implementation of electronic enhancements to the back office operations. These enhancements were required to support the growth in accounts in a high volume transaction-based business.

MRSTC experienced a $167 decrease in its general and administrative expenses for 1996 to $10,072 from $10,239 in 1995 and $11,010 in 1994. During the year, MRSTC recorded a loan loss provision of $2,383 as compared to $1,806 in 1995 and $3,932 in 1994. As stated in the section entitled Management and Administration Fees, the commercial mortgage origination business in British Columbia was transferred to the former principals. As a result, MRSTC is no longer responsible for any of the related operating expenses that were recorded in the financial statements in prior years.

TRAIL COMMISSIONS TO DEALERS increased by $8,766 to $41,823 from $33,057 at March 31, 1995 and by $16,728 from $25,095 at March 31, 1994 due to the growth in mutual fund assets under administration in Canada and the U.S. and the launch of a deferred sales charge program by MIMI in 1994.

INTEREST EXPENSE RELATING TO DEPOSIT OPERATIONS increased by $3,476 to $14,638 in 1996 from $11,162 in 1995 and $12,843 in 1994 due to the growth in customer deposits, which include MRSI investor cash float balances, and expenses relating to the increase in mortgage-backed securities issued during the year.

INTEREST EXPENSE ON NOTES PAYABLE reflects the interest expense attributable to the 6.67%, $50 million asset-backed notes issued by MSP on March 3, 1994. Interest expense was recorded for one month at March 31, 1994 and for the full year during the subsequent two years.

Net Earnings and Earnings Per Share

Net earnings, before the equity in earnings of MWI, increased by $6,833 or $0.12 per share to $35,498 from $28,665 for the year ended March 31, 1995 and by $14,149 or $0.24 per share from $21,349 for the year ended March 31, 1994. Improved profitability of the Corporation's Canadian and U.S. mutual fund businesses and the trust business were the primary contributors to the increase.

The Corporation's investment in MWI contributed $5,135 to net earnings or $0.09 per share for the year ended March 31, 1996 compared to $775 or $0.01 per share for the year ended March 31, 1995 and $14,712 or $0.25 per share for the year ended March 31, 1994. Lower interest rates, a more stable political climate after the referendum, growing investor confidence and the implementation of cost reduction measures led to improved profitability for MWI in the last quarter of 1995 and the first quarter of 1996. MWI 1994 results were enhanced by tax losses carried forward from prior years.

Net earnings increased by $11,278 or $0.19 per share to $40,728 from $29,450 for the year ended March 31, 1995 and by $4,667 or $0.08 per share when compared to the year ended March 31, 1994. The equity earnings of MWI accounted for the lower growth in net earnings as compared to the year ended March 31, 1994.

Liquidity and Capital Resources

The Corporation has historically maintained capital and liquid assets in excess of short-term requirements; a strategy that allowed the Corporation to acquire companies providing management and administrative services.

Back load sales, especially during high volume periods, as was the case this year, place significant demands on the Corporation's capital resources. During the year, the Corporation paid $90,995 in selling commissions directly, $41,541 through MSP and $5,632 was paid by MIMI. As described in Note 15 to the financial statements Revenue Canada has reassessed the Corporation for deducting certain sales commissions as incurred from its taxable income. Should Revenue Canada's position prevail, our industry's cost of distribution on a deferred basis would increase.

Effective April 2, 1996, the Corporation issued $100 million of unsecured indebtedness as explained in Note 17 accompanying the financial statements. This additional capital, together with cash flow from operations, will be used primarily to pay future selling commissions.

The Corporation will continue to maintain sufficient capital to make opportunistic strategic investments at what we believe to be reasonable prices.

Capital in the management services business is almost entirely composed of shareholders' equity, the debenture issue and notes payable. In the trust company, management has used the traditional method of using customer deposits to fund mortgage lending activities. The increase in customer deposits on the balance sheet to $283,478 at March 31, 1996 from $213,880 at March 31, 1995 is directly related to the increase in mortgage business and MRSI's administration business. MRSTC has also developed expertise in securitizing mortgages to augment its liquidity management.

A strong capital base is critical both for the expansion in managed assets the Corporation expects to experience in the balance of the 1990's, and for protection during periods where managed assets erode due to market declines or increases in fund redemptions.

In summary, capital funds are generated internally through retained earnings and externally through the issuance of debentures and the sale of the Corporation's shares. Customer deposits, the sale of Ivy Mortgage Fund and mortgage-backed securities generate funds for MRSTC's mortgage business.

The Outlook

Higher levels of managed assets generally lead to revenue increases because fee revenues are directly correlated with the level of assets under administration. The Corporation's growth in assets under administration in fiscal 1996 was achieved by further diversifying its product offering in Canada and the United States, very aggressive marketing, net sales, and excellent relative fund performance.

Management expects business prospects for the Corporation's Canadian core mutual fund business to to improve further. MIMI continues to face severe competition, especially for its fixed income funds. However, increasing growth and acceptance of its U.S. emerging growth funds and international products is encouraging. MRSTC's mortgage asset quality has improved and should enhance future returns from this operation and interest margin spreads have widened significantly. MRSI service and financial return issues continue to occupy management time but the solutions are in sight. MRSI's product line will expand in 1997 with profitability following shortly thereafter. Recent new issue activity, improved institutional market share and higher trading volumes on Canadian Stock Exchanges are improving MWI's earnings prospects.

Two factors could have a moderating impact on near-term earnings growth. First, any retreat in securities prices in both stock and bond markets will serve to reduce revenue growth by decreasing the value of assets under administration. Persistent declines in security values have also historically reduced mutual fund sales. Second, the volatility in the contribution from MWI is an aspect of the brokerage industry that can never be ignored.

In fiscal 1997, the Corporation expects to utilize its diversified core product lines and the involvement of its subsidiary companies to further enhance profit growth. Today, sales of five of the Corporation's Canadian-managed mutual funds can increase the profitability of both the Canadian and the U.S. mutual fund businesses. RRSP loans from MRSTC can enhance the interest spread at MRSTC, increase the administrative revenue at MRSI and result in the sale of a security of a Mackenzie managed mutual fund.

Several planned product launches for MRSI, such as the asset allocation service which involves funds of several mutual fund management companies and open accounts, should enhance the return from this operation. Similarly, investment loans at MRSTC could provide profit growth potential to be shared among affiliated companies.

In fiscal 1996, management also made several capital investments to improve processing technology. Enhanced communication tools, imaging technology and specialized data warehouse projects were started. This 1996 technology spending will start to generate efficiency returns in the latter half of 1997 as the implementation of these applications is completed. While we have not yet realised the potential benefits of these investments in technology, early indications show that costs per transaction, capacity, customer service levels and response time will be enhanced dramatically as the year unfolds.

The Corporation also has substantial fundamental strengths in place which will continue to be fostered by management in the year ahead. These include:

- outstanding employees;
- a superior long-term record of investment performance;
- a reputation for quality administrative systems and services;
- a high level of marketing commitment to the distribution network of independent financial advisors; and
- a strong balance sheet.

Management believes these strengths will result in continued improvements in earnings in future years.

Management's Report to the Shareholders

The accompanying consolidated financial statements and all information in the Annual Report have been prepared by management and approved by the Board of Directors of the Corporation. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgements. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report with that contained in the consolidated financial statements.

Management is responsible for the maintenance of a system of internal controls designed to provide reasonable assurance that the Corporation's assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared.

The Corporation's Audit Committee is appointed by the Board of Directors annually and is comprised entirely of non-management directors. The Audit Committee meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the independent auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The independent auditors have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been independently audited by Coopers & Lybrand on behalf of the shareholders, in accordance with generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Corporation.

Alexander Christ

ALEXANDER CHRIST
President and Chief Executive Officer

James Dryburgh

JAMES T. DRYBURGH, C.A.
Senior Vice-President and Chief Financial Officer

May 10, 1996

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Mackenzie Financial Corporation as at March 31, 1996 and 1995 and the consolidated statements of earnings and retained earnings and changes in financial position for each of the years in the three year period ended March 31, 1996. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and 1995 and the results of its operations and the changes in its financial position for each of the years in the three year period ended March 31, 1996 in accordance with accounting principles generally accepted in Canada.

Coopers & Lybrand

COOPERS & LYBRAND
Chartered Accountants

Toronto, Canada
May 10, 1996

Consolidated Balance Sheets

As at March 31
(thousands of dollars)

	1996	1995
Assets		
Cash and short-term investments *(note 9(b))*	$ 103,188	$ 144,455
Accounts and other receivables	61,781	51,517
Income taxes recoverable	38,055	—
Loans *(notes 3 and 4)*	224,730	190,230
Deferred selling commissions and investment in related partnerships *(note 5)*	219,506	112,757
Investment in affiliated companies	60,429	56,039
Management contracts	14,360	17,534
Capital assets *(note 6)*	25,922	22,705
Goodwill *(note 7)*	7,104	8,293
Other assets *(note 8)*	12,396	15,033
	$ 767,471	$ 618,563
Liabilities		
Bank loans *(note 9)*	$ 14,800	$ 13,012
Accounts payable and accrued liabilities	49,965	34,592
Income taxes payable	—	10,257
Customer deposits *(note 10)*	283,478	213,880
Notes payable *(note 11)*	37,973	44,184
Deferred taxes	92,803	48,423
	$ 479,019	$ 364,348
Commitments and Contingency *(notes 9 and 15)*		
Shareholders' Equity		
Capital stock *(note 12)*		
Authorized – Unlimited number of common shares		
Issued and outstanding		
– 59,628,615 (1995 – 59,264,115) common shares	$ 41,028	$ 38,813
Retained earnings	247,424	215,402
	$ 288,452	$ 254,215
	$ 767,471	$ 618,563

(The accompanying notes are an integral part of these consolidated financial statements.)

Signed on behalf of the Board

Alexander Christ

ALEXANDER CHRIST
Director

F. Warren Hurst

F. WARREN HURST
Director

Consolidated Statements of Earnings and Retained Earnings

For the years ended March 31
(thousands of dollars except per share figures)

	1996	1995	1994
Revenue			
Management and administration fees	$ 250,288	$ 212,043	$ 178,831
Less distribution fees paid to limited partnerships	(23,914)	(22,529)	(19,244)
	226,374	189,514	159,587
Distribution revenue	14,901	10,130	7,127
Interest relating to lending operations	22,466	15,187	15,753
Interest and dividends	5,732	6,760	4,613
Gain (loss) on sale of investments	(64)	(19)	543
	269,409	221,572	187,623
Expenses			
General and administrative	96,858	85,650	86,454
Trail commissions to dealers	41,823	33,057	25,095
Interest expense relating to deposit operations	14,638	11,162	12,843
Interest expense on bank loans	795	647	149
Interest expense on notes payable *(note 11)*	2,688	3,084	256
Depreciation and amortization of capital assets	10,255	9,225	8,667
Amortization of goodwill	1,258	1,197	1,157
Amortization of management contracts	3,174	3,174	2,196
Amortization of deferred selling commissions *(note 5)*	31,419	20,645	9,871
	202,908	167,841	146,688
Earnings before provision for income taxes and equity in earnings of affiliated companies	66,501	53,731	40,935
Provision for (recovery of) income taxes *(note 13)*			
Current	(13,377)	(639)	1,371
Deferred	44,380	25,705	18,215
	31,003	25,066	19,586
Net earnings before equity in earnings of affiliated companies	35,498	28,665	21,349
Equity in earnings of affiliated companies	5,230	785	14,712
Net earnings for the year	40,728	29,450	36,061
Retained earnings – beginning of year	215,402	193,064	163,475
Adjustment for impaired loans *(note 2)*	(390)	—	—
	215,012	193,064	163,475
Dividends paid	8,316	7,112	6,472
Retained earnings – end of year	$ 247,424	$ 215,402	$ 193,064
Earnings per share – basic	$ 0.69	$ 0.50	$ 0.61
Fully diluted earnings per share *(note 12)*	$ 0.66	$ 0.49	$ 0.60

(The accompanying notes are an integral part of these consolidated financial statements.)

Consolidated Statements of Changes in Financial Position

For the years ended March 31
(thousands of dollars)

	1996	1995	1994
Operating Activities			
Net earnings for the year	$ 40,728	$ 29,450	$ 36,061
Items not affecting cash –			
Depreciation and amortization	46,106	34,241	21,891
Deferred taxes	44,380	25,705	18,215
Adjustment for impaired loans	(390)	—	—
Equity in earnings of affiliated companies net of dividends received of $840 (1995 – $840; 1994 – $210)	(4,390)	55	(14,502)
	126,434	89,451	61,665
Net (increase) decrease in non-cash balances related to operations *(note 14)*	(43,203)	12,208	(15,331)
	83,231	101,659	46,334
Financing Activities			
Proceeds from bank loans	1,788	8,245	4,767
Proceeds from (repayment of) notes payable	(6,211)	(5,816)	50,000
Increase in customer deposits	69,598	34,535	31,684
Payment of dividends	(8,316)	(7,112)	(6,472)
Issue of common shares	2,215	52	5,286
	59,074	29,904	85,265
Investing Activities			
Purchase of capital assets	(13,463)	(15,160)	(12,650)
Payment of selling commissions	(138,168)	(32,876)	(97,340)
(Increase) decrease in loans	(34,500)	(47,630)	7,565
Decrease (increase) in other assets	2,628	(3,333)	(2,026)
Purchase of management contracts	—	—	(1,671)
Purchase price of shares in subsidiary company	(69)	(27)	(11,174)
Increase in investment in affiliated company *(note 7)*	—	(555)	—
	(183,572)	(99,581)	(117,296)
Increase (decrease) in cash and cash equivalents	(41,267)	31,982	14,303
Cash and cash equivalents – beginning of year	144,455	112,473	98,170
Cash and cash equivalents – end of year	$ 103,188	$ 144,455	$ 112,473
Cash	$ 8,907	$ 3,692	$ 4,466
Short-term investments	94,281	140,763	108,007
	$ 103,188	$ 144,455	$ 112,473

(The accompanying notes are an integral part of these consolidated financial statements.)

Notes to Consolidated Financial Statements

for the years ended March 31, 1996, 1995 and 1994
(thousands of dollars except per share figures)

1 Description of Business

The Corporation is incorporated under the Business Corporations Act (Ontario). Its shares, which are widely held, are listed on The Toronto Stock Exchange and the Montreal Exchange, under the ticker symbol MKF, and quoted on NASDAQ in the United States under the ticker symbol MKFCF.

The Corporation's principal business is the marketing and management of public mutual funds in both Canada and the United States. In addition, the Corporation provides investment management services to other public mutual funds and private accounts.

The Corporation's main ancillary businesses are the operations of M.R.S. Trust Company and Multiple Retirement Services Inc. These subsidiaries provide trustee and administrative services to registered accounts. As well, M.R.S. Trust Company conducts deposit taking and lending activities.

The Corporation maintains a minority interest in Midland Walwyn Inc., the holding company for a brokerage firm and a fifty percent interest in Versa Management Systems Limited, a supplier of software services.

2 Significant Accounting Policies

The Corporation's financial statements are prepared in accordance with accounting principles generally accepted in Canada. See note 18 for a reconciliation of net earnings using Canadian generally accepted accounting principles with net earnings using United States generally accepted accounting principles. The significant accounting policies are as follows:

MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

CHANGES IN ACCOUNTING POLICIES

During the year, the Corporation adopted the accounting policy for impaired loans in accordance with the new Section 3025 of the Canadian Institute of Chartered Accountants Handbook relating to generally accepted accounting practices for the recognition, measurement, presentation and disclosure of impaired loans, restructured loans and foreclosed assets. The Corporation provided, net of taxes, $390 in respect of impaired loans, which provision has been charged to the Corporation's retained earnings at April 1, 1995.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its directly and indirectly owned subsidiaries and partnership of which the principal operating entities are:

- Mackenzie Investment Management Inc. ("MIMI") (a Delaware company)
- M.R.S. Trust Company
- Multiple Retirement Services Inc. ("MRSI")
- Mackenzie MEF Management Inc.
- Mackenzie Securitized Partnership ("MSP")
- Mackenzie Financial Services Inc. ("MFSI")

INVESTMENT IN AFFILIATED COMPANIES

The Corporation accounts for its investments in Midland Walwyn Inc. ("MWI") and Versa Management Systems Limited ("VMSL") using the equity method whereby the investment is initially recorded at cost and adjusted to recognize the Corporation's share of after-tax earnings or losses less any dividends received. The excess of the purchase price of MWI over the value of net assets acquired of $15,298 is being amortized on a straight line basis over 20 years. The Corporation owns approximately 20.4% of the ordinary shares of MWI with a quoted market value of $56,000 (1995 – $50,750) and 50% of the ordinary shares of VMSL, a private company.

SHORT-TERM INVESTMENTS

Short-term investments, consisting of liquid assets, are carried at amortized cost which approximates market value.

FOREIGN CURRENCY TRANSLATION

MIMI, a U.S. company, is considered to be financially and operationally dependent on Mackenzie Financial Corporation and accordingly, the temporal method of translation is used. Under this method, monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates and revenue and expense items are translated at the average exchange rate prevailing throughout the year, except for depreciation and amortization which are translated at the same historical exchange rates as the assets to which they relate. Any resulting foreign exchange gains and losses are reflected in the Consolidated Statements of Earnings and Retained Earnings.

CAPITAL ASSETS

Capital assets are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are provided at annual rates as follows:

- Furniture and equipment
  20% diminishing balance basis
- Computer hardware
  30% diminishing balance basis
- Computer software
  50% straight-line basis
- Leasehold improvements
  straight-line over term of lease

LOANS

Loans are stated at cost, which includes interest capitalized and accrued, and other charges, less repayments and allowances for losses. Interest income on non-performing loans is not accrued. Loans are classified as being non-performing when a specific allowance has been established or when interest or principal is past due 90 days. When the value of any loan is identified as impaired, the carried amounts are adjusted to estimated realizable amounts. Estimated realizable amounts are measured by discounting reasonably determinable expected future cash flows at the effective interest rate inherent in the loan or using the fair value of underlying security less realization costs or observable market prices for the loans.

GOODWILL

Goodwill is recorded at cost and is being amortized on a straight-line basis over ten years. The Corporation assesses the value of its goodwill by considering the estimated future economic benefit associated with the earnings capacity of its subsidiaries. Goodwill is written down when it is considered that a permanent impairment in ongoing value has occurred.

MANAGEMENT CONTRACTS

Management contracts are recorded at cost and are amortized on a straight-line basis primarily over a ten year period. The Corporation assesses the value of its management contracts by considering the future economic benefit associated with the revenue capacity of the related mutual funds.

SELLING COMMISSIONS AND INVESTMENT IN RELATED PARTNERSHIPS

The Corporation directly finances selling commissions relating to its mutual funds which are distributed on a deferred sales charge basis. In addition, the Corporation also participates with private investors in various related partnerships whose primary business purpose is to distribute and fund deferred sales charge mutual funds. Selling commissions and investment in partnerships are recorded at cost and are amortized over five to seven years. Unamortized deferred commissions and investment in partnerships are written-off in the period to the extent that it is unlikely that expected future revenues will recover the unamortized costs.

Revenue from the financing of selling commissions by the Corporation directly and indirectly through investments in MSP and related limited partnerships is included in distribution revenue and amounted to $9,809 (1995 – $6,335; 1994 – $2,766) and in management and administration fees in the amount of $16,857 (1995 – $11,701; 1994 – 2,430).

3 Loans

The Corporation's loans, net of unearned income and the allowance for credit losses, are as follows:

	1996	1995
Consumer loans	$ 28,602	$ 10,255
NHA insured mortgages	135,074	105,250
Conventional residential mortgages	40,672	51,495
Conventional commercial mortgages	26,522	27,437
	230,870	194,437
Allowance for credit losses	(6,140)	(4,207)
Total	$ 224,730	$ 190,230

Included in loans are the following non-performing loans and the related allowance for credit losses:

Consumer loans	$ 11	$ —
Conventional residential mortgages	1,748	1,422
Conventional commercial mortgages	6,483	6,731
	8,242	8,153
Allowance for credit losses	(6,140)	(4,207)
Total net non-performing loans	$ 2,102	$ 3,946

4 Allowance For Credit Losses

An analysis of the Corporation's allowance for credit losses is as follows:

	1996	1995
Balance beginning of year	$ 4,207	$ 4,584
Provision for credit losses	3,025	1,986
Write-offs	(1,130)	(2,388)
Recoveries	38	25
Balance at end of year	$ 6,140	$ 4,207
Consisting of:		
Specific provisions	$ 4,999	$ 2,868
General provisions	1,141	1,339
Total	$ 6,140	$ 4,207
Allowance as a percent of uninsured loans	6.4%	4.7%

5 Deferred Selling Commissions and Investment in Related Partnerships

During the year ended March 31, 1996, the Corporation funded $138,168 (1995 – $32,876) in deferred selling commissions.

The Corporation recorded amortization of $30,032 (1995 – $19,280; 1994 – $8,506) of deferred selling commissions funded directly and amortization of $1,387 (1995 – $1,365; 1994 – $1,365) of its investment in related limited partnerships.

	1996	1995
Deferred selling commissions	$ 296,448	$ 158,452
Investment in related limited partnerships	6,996	6,824
	303,444	165,276
Accumulated amortization	83,938	52,519
	$ 219,506	$ 112,757

Redemption fees are payable by mutual fund unitholders if mutual fund units acquired on a deferred sales charge basis are redeemed within a specified period. The Corporation has estimated that its entitlement to such redemption fees at March 31, 1996 would have amounted to $255,363 (1995 – $123,049) if all unitholders had redeemed their fund units on that date.

6 Capital Assets

	1996	1995
Furniture and equipment	$ 11,520	$ 10,874
Leasehold improvements	8,617	7,701
Computer hardware	12,678	11,423
Computer software	28,269	18,325
	61,084	48,323
Accumulated depreciation and amortization	35,162	25,618
	$ 25,922	$ 22,705

7 Acquisitions and Divestitures

(a) Effective June 30, 1994, the Corporation sold 50% of its investment in VMSL to employees of VMSL for $550. Commencing July 1, 1994, the Corporation accounted for its investment in VMSL using the equity method.

(b) Effective after the close of business on March 31, 1993, the Corporation purchased 90% of the issued and outstanding shares of MRSI and effective April 22, 1993 the Corporation purchased the remaining 10% of the issued and outstanding shares for an aggregate purchase price of $11,174. The purchase price comprised $10,063 in cash and 167,715 common shares of the Corporation.

The fair value of MRSI at the dates of acquisition was:

Assets	$ 6,000
Liabilities	4,786
Net assets acquired	1,214
Purchase price	11,174
Excess of purchase price over value of net assets acquired	$ 9,960

The excess of purchase price of MRSI over value of net assets acquired is included in goodwill and is being amortized over ten years.

8 Other Assets

Other assets comprise the following:

	1996	1995
Mutual fund seed capital – at cost (quoted value $9,409; 1995 – $9,975)	**$ 8,693**	$ 10,375
Investments – at cost (quoted value $3,001; 1995 – $2,745)	**2,159**	2,613
Other	**1,544**	2,045
	$ 12,396	$ 15,033

9 Commitments

(a) The Corporation has operating lease commitments as shown:

1997	$ 10,139
1998	9,477
1999	7,517
2000	5,921
2001	5,970
2002 and thereafter	10,200
Total	$ 49,224

(b) The Corporation has pledged the equivalent of not less than U.S. $6,000 in marketable securities as collateral for a U.S. dollar bank loan provided to MIMI which amounted to $2,323 as at March 31, 1996 (1995 – $3,571).

(c) The Corporation currently has a $25,000 line of credit with a banking institution. There were no amounts drawn on this line at March 31, 1996.

10 Guaranteed Trust Funds

The Corporation held segregated assets as security for M.R.S. Trust Company's guaranteed funds accounts as follows:

	1996	1995
Cash and marketable securities	**$ 72,952**	$ 32,765
Mortgage loans	**181,924**	170,860
Consumer loans	**28,602**	10,255
Total assets held for customer deposits	**$ 283,478**	$ 213,880

11 Notes Payable

Amortizing Asset-Backed Notes ("Notes"), Series 1994-1 mature on March 1, 2001, bear interest at 6.67% per annum, calculated semi-annually, and are repayable monthly in equal blended amounts of principal and interest of $744. The market value of the Notes at March 31, 1996 was $37,888 (1995 – $41,830). A fixed and floating charge on MSP's right to receive distribution and related fees, the proceeds therefrom and amounts from investments of its liquid assets has been pledged as security for the Notes which are non-recourse to the Corporation. The annual principal payments in each of the next five years are: $6,632 in 1997; $7,082 in 1998; $7,562 in 1999; $8,075 in 2000 and $8,622 in 2001.

12 Capital Stock

(a) Stock Options

The Corporation has granted options to purchase common shares to employees and others, at a minimum of the market price on the date the options were granted. These options have five year terms and are exercisable one year from date of grant.

A maximum number of 1,616,711 common shares has been reserved for future options under the share option plans. The maximum number of shares to be allocated to each employee is 1% of the issued and outstanding common shares of the Corporation.

Year Granted	Expiry Date	Exercise Price $	Outstanding March 31, 1995	Issued During Year	Exercised During Year	Cancelled During Year	Outstanding March 31, 1996
1992	1997	4.95 – 5.50	997,000	—	258,000	—	739,000
1993	1998	7.625 – 12.00	1,857,500	—	10,000	35,000	1,812,500
1994	1999	7.50 – 9.50	624,500	—	96,500	1,000	527,000
1995	2000	8.00 – 11.25	—	871,700	—	5,000	866,700
			3,479,000	871,700	364,500	41,000	3,945,200

During the year ended March 31, 1996, options for 364,500 shares (1995 – 10,000; 1994 – 958,000) were exercised for cash proceeds of $2,215 (1995 – $52; 1994 – $4,175). The average weighted price for options issued during the year ended March 31, 1996 was $9.59 (1995 – $7.81; 1994 – $11.50).

(b) Effective April 22, 1993 the Corporation purchased the 10% of the outstanding shares of MRSI, not acquired on March 31, 1993, in exchange for 167,715 of its common shares at their market value of $1,111.

(c) Earnings per Share

Fully diluted earnings per share have been calculated on the basis that all of the options to purchase common shares existing at the end of the year had been exercised at the beginning of the year.

13 Income Taxes

(a) Reconciliation of statutory effective rates of income tax:

	1996		1995		1994	
	Amount	*Rate*	*Amount*	*Rate*	*Amount*	*Rate*
Earnings before provision for income taxes	**$ 66,501**	**100%**	$ 53,731	100%	$ 40,935	100%
Income taxes at statutory federal and provincial rates	**$ 29,673**	**44.6%**	$ 23,857	44.4%	$ 18,151	44.3%
Increase (decrease) from statutory rates:						
Profit for the year – MIMI	**(1,181)**	**(1.8)**	(240)	(0.4)	(587)	(1.4)
Tax exempt investment income	**(488)**	**(0.7)**	(669)	(1.2)	(259)	(0.6)
Disallowed expenses						
Food and entertainment	**1,223**	**1.8**	935	1.7	507	1.2
Amortization of goodwill	**561**	**0.8**	531	1.0	513	1.2
Amortization of management contracts	**773**	**1.2**	769	1.4	478	1.2
Other items	**442**	**0.7**	(117)	(0.2)	783	1.9
Income taxes reported	**$ 31,003**	**46.6%**	$ 25,066	46.7%	$ 19,586	47.8%

b) MIMI has non-capital losses for income tax purposes of approximately $19,742 which may be used to reduce the taxable income of future years.

These losses expire as follows:

Year ending	March 31, 2001	$ 1,020
	March 31, 2002	1,297
	March 31, 2003	1,714
	March 31, 2004	5,533
	March 31, 2005	2,625
	March 31, 2006	3,308
	March 31, 2007	2,873
	March 31, 2008	902
	March 31, 2010	470
	Total	$ 19,742

No future benefits with respect to these losses have been recognized in these financial statements.

14 Supplemental Cash Flow Information

Changes in non-cash balances related to operations:

	1996	1995	1994
Net (increase) decrease in non-cash balances related to operations:			
Accounts and other receivables	$ (10,264)	$ (5,336)	$ (14,342)
Income taxes recoverable	(38,055)	10,854	(10,854)
Accounts payable and accrued liabilities	15,373	(3,567)	8,682
Income taxes payable	(10,257)	10,257	—
Deferred taxes	—	—	(31)
Acquisition of subsidiary company net non-cash assets	—	—	1,214
	$ (43,203)	$ 12,208	$ (15,331)

15 Contingent Liability

In 1993, the Corporation established MSP, a securitized partnership, to fund selling commissions payable upon the sale of securities of the Corporation-sponsored Canadian mutual funds. The Corporation is a 99.9% partner of MSP and MFSI, a wholly-owned subsidiary of the Corporation, owns the remaining interest. The securitized partnership format enabled debt issued by MSP to receive a AAA credit rating.

In calculating its income for tax purposes, the Corporation deducted the selling commissions of $162,960 paid by MSP in the years that they were incurred on the basis that the Corporation was carrying on its business of distributing securities of mutual funds through MSP, and that such deduction was therefore in compliance with Revenue Canada's established assessing policy regarding the immediate deduction of selling expenses of mutual fund managers and other financial institutions. Revenue Canada has recently informed the Corporation that notwithstanding the fact that the Corporation and its wholly owned subsidiary are the sole partners of MSP, in Revenue Canada's view the Corporation is not entitled to the immediate deduction of selling commissions incurred by MSP. Revenue Canada is therefore proposing to reassess the Corporation on the basis that the selling commissions must be deferred and amortized. The tax at issue is solely one of the timing of the deduction. The tax at issue is fully provided for on the Corporation's balance sheet under the headings "Income taxes payable" and "Deferred taxes".

In September 1995, the Corporation discontinued the use of MSP to fund selling commissions and now pays selling commissions directly.

The Corporation intends to contest the proposed reassessment as it believes there are valid grounds to support its position. If the Corporation is not successful, management estimates that the maximum charge to earnings will be $3.0 million (approximately $0.05 per share) arising from the interest accrued to date. If any payment is required to be made it will be accounted for as a current period adjustment.

16 Segmented Information

The Corporation carries on its activities through one business segment, namely financial services, and in two geographic segments, Canada and the United States.

		Revenues	Earnings before Taxes and Equity in Earnings of Affiliated Companies	Net Earnings	Total Assets
1996	**Canada**	**$ 242,488**	**$ 63,855**	**$ 38,082**	**$ 733,742**
	United States	**26,921**	**2,646**	**2,646**	**33,729**
	Total	**$ 269,409**	**$ 66,501**	**$ 40,728**	**$ 767,471**
1995	Canada	$ 201,330	$ 53,190	$ 28,909	$ 589,566
	United States	20,242	541	541	28,997
	Total	$ 221,572	$ 53,731	$ 29,450	$ 618,563
1994	Canada	$ 171,085	$ 39,612	$ 34,738	$ 500,586
	United States	16,538	1,323	1,323	26,228
	Total	$ 187,623	$ 40,935	$ 36,061	$ 526,814

17 Subsequent Event

Effective April 2, 1996, by short form prospectus, the Corporation issued $100,000 of unsecured indebtedness evidenced by $50,000 aggregate principal amount of 7.20% Senior Debentures designated as Series 1, maturing March 15, 1999 and $50,000 aggregate principal amount of 7.72% Senior Debentures designated as Series 2, maturing March 15, 2001. Interest on the Senior Debentures will be payable in semi-annual instalments on March 15 and September 15 commencing September 15, 1996. The expenses of the issue, inclusive of underwriters' fees of $538, are estimated to be $878. The net proceeds of the issue will be used primarily to fund selling commissions payable to dealers in respect of the sale of securities of the Corporation's sponsored Canadian mutual funds.

18 Differences from United States Accounting Principles

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. United States generally accepted accounting principles ("US GAAP") differ in the following material areas:

(a) Under US GAAP, deferred income taxes are accounted for by the liability method as described in Statement of Financial Accounting Standards ("SFAS") No. 109. This adjustment relates primarily to the difference in the book value and the tax value of affiliated companies.

(b) Under US GAAP, SFAS No. 115 requires trading securities be carried at market, with unrealized gains and losses included whereas under Canadian GAAP, short-term investments are carried at the lower of cost and market.

EPS

(c) Under US GAAP, primary earnings per share are calculated based upon the weighted average number of shares outstanding during each year plus common stock equivalents, such as common stock options, unless they are antidilutive. Primary income per share is computed as if common stock options were exercised at the beginning of the year, and as if funds obtained thereby were used to purchase the Corporation's common stock at the average market price during the year. Fully diluted income per share is

calculated as if the proceeds from the exercise of common stock options were used to purchase the Corporation's common stock at its average market price during the year or its market value at the end of the year, whichever is higher.

(d) In 1995, a new accounting standard was issued under US GAAP that encourages, but does not require, entities to adopt a new method of accounting for stock options and the related compensation expense based on the fair value of the option on the date of grant. The Corporation expects to continue following the existing pronouncement which measures compensation expense based on the intrinsic value of the option on the date of grant at which time the number of options and the exercise price are fixed.

The following summary sets out the adjustments to the Corporation's reported net earnings in order to conform to US GAAP:

Net Earnings

	1996	1995	1994
Net earnings based on Canadian GAAP	$ 40,728	$ 29,540	$ 36,061
Effect of SFAS 115	1,826	(558)	339
Effect of SFAS 109	(3,561)	205	(4,967)
Net earnings based on US GAAP	$ 38,993	$ 29,187	$ 31,433
Weighted average number of shares outstanding during the year:			
Primary	59,888,578	59,626,636	59,323,703
Fully diluted	62,363,786	62,158,370	59,323,703
Earnings per share:			
Primary	$ 0.65	$ 0.49	$ 0.53
Fully diluted	$ 0.63	$ 0.47	$ 0.53

The following summary sets out the adjustments to the Corporation's reported shareholders' equity in order to conform to US GAAP:

Shareholders' Equity

	1996	1995
Shareholders' equity based on Canadian GAAP	$ 288,452	$ 254,215
Cumulative effect of applying items (a) and (b)	(10,181)	(8,086)
Shareholders' equity based on US GAAP	$ 278,271	$ 246,129

Consolidated balance sheet items under US GAAP would be as follows:

Balance Sheet

	1996	1995
Other assets	$ 13,954	$ 14,765
Deferred taxes 92803	$ 104,181	$ 56,241
Retained earnings	$ 237,603	$ 207,316

19 Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation as at and for the year ended March 31, 1996.

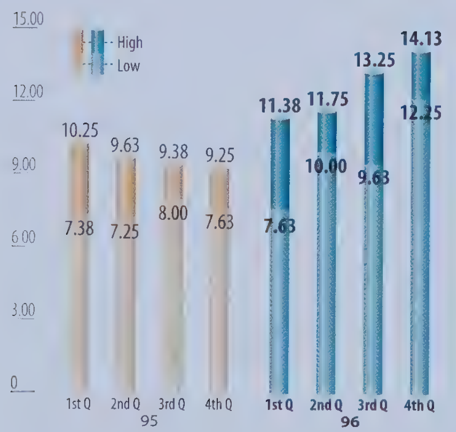
Selected Quarterly Financial Information

Unaudited
(millions of dollars except per share and price data)

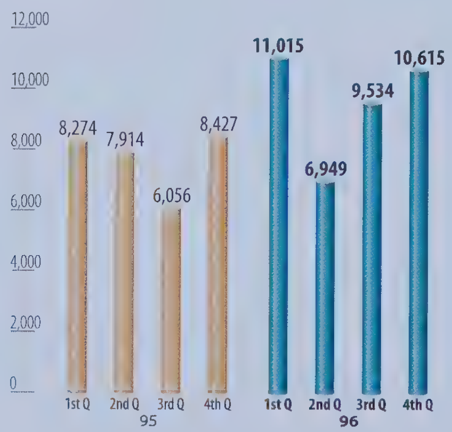
Fiscal 1996 for quarter ended	June 30	September 30	December 31	March 31
Revenues	**$ 61.30**	**$ 64.30**	**$ 66.30**	**$ 77.50**
Expenses	**$ 45.90**	**$ 47.60**	**$ 50.90**	**$ 58.50**
Equity in earnings of affiliated companies	**$ 0.90**	**$ 0.80**	**$ 1.30**	**$ 2.20**
Net earnings	**$ 9.20**	**$ 9.70**	**$ 9.90**	**$ 11.90**
Earnings per share	**$ 0.16**	**$ 0.16**	**$ 0.17**	**$ 0.20**
Market price range – high	**$ 11.38**	**$ 11.75**	**$ 13.25**	**$ 14.13**
– low	**$ 7.63**	**$ 10.00**	**$ 9.63**	**$ 12.25**

Fiscal 1995 for quarter ended	June 30	September 30	December 31	March 31
Revenues	$ 51.70	$ 55.60	$ 55.00	$ 59.30
Expenses	$ 42.50	$ 40.60	$ 39.70	$ 45.00
Equity in earnings of affiliated companies	$ 0.60	$ 0.20	—	—
Net earnings	$ 5.40	$ 8.10	$ 8.60	$ 7.40
Earnings per share	$ 0.09	$ 0.14	$ 0.14	$ 0.13
Market price range – high	$ 10.25	$ 9.63	$ 9.38	$ 9.25
– low	$ 7.38	$ 7.25	$ 8.00	$ 7.63

HIGH/LOW SHARE PRICES – THE TORONTO STOCK EXCHANGE
(in dollars)



TRADING VOLUME – THE TORONTO STOCK EXCHANGE
(in thousands of shares)



Our History

1996

- Opened Universal Growth Fund
- Expanded the Star Asset Allocation service
- Issued $50,000,000 Series 1 and $50,000,000 Series 2 Senior Unsecured Debentures

1968 • Opened Industrial Growth Fund
1971 • Opened Industrial Pension Fund
1972 • Acquired Industrial Equity Fund Limited
1973 • Mackenzie became a public company
1974 • Opened Industrial Income Fund
1975 • Acquired Industrial Dividend Fund Limited
• Opened Industrial American Fund
1976 • Acquired ITCO Investment Fund Limited
1977 • Merged Industrial Dividend Fund Limited with ITCO Investment Fund Limited
1980 • Acquired 30% interest in U.S.E. Fund Management Ltd.
1981 • Mackenzie's common shares listed on The Toronto Stock Exchange
• Acquired Mackenzie Equity Fund
1982 • Acquired Industrial Mortgage Securities Fund
1984 • Opened Industrial Cash Management Fund
1985 • Incorporated Mackenzie Investment Management Inc.
• Opened the Mackenzie Series Trust funds in the United States
• Opened Universal World Equity Fund
1986 • Acquired M.R.S. Trust Company
1987 • Opened Industrial Horizon Fund
• Formed Industrial Horizon Partnership 1987 and 1988
• Opened Mackenzie Canada Fund in the United States
1988 • Opened Industrial Future Fund
• Opened three tax exempt municipal funds in the United States
• Formed Industrial Horizon Partnership 1989
1989 • Opened Industrial Bond Fund
• Opened Mackenzie Growth and Income Fund in the United States
1990 • Formed Industrial Horizon Partnership 1990
• Purchased minority interest in Midland Walwyn Inc.
1991 • Opened Industrial Balanced Fund
• Opened Industrial Short-Term Fund
1992 • Acquired Ivy Management, Inc. and management of the four Ivy Funds in the United States
• Opened Universal U.S. Emerging Growth Fund
• Formed Industrial Horizon Partnership 1992
• Opened four Ivy Funds in Canada
1993 • Formed Industrial Horizon Partnership 1992-II
• Acquired the remaining 70% of U.S.E. Fund Management Limited and management of the four Universal Funds
• Acquired Multiple Retirement Services Inc.
1994 • Opened Ivy China Region Fund and Ivy Emerging Growth Fund in the United States
• Opened Universal Far East Fund, Universal World Asset Allocation Fund, Universal World Emerging Growth Fund, Universal World Precious Metals Fund, Universal World Balanced RRSP Fund and Ivy Mortgage Fund
• Formed Mackenzie Securitized Partnership
• Listed Mackenzie's common shares on NASDAQ and The Montreal Exchange
1995 • Opened Universal European Opportunities Fund, Universal Japan Fund, Universal U.S. Money Market Fund, Universal World Growth RRSP Fund and Universal World Tactical Bond Fund
• Opened Ivy Latin American Strategy Fund and Ivy New Century Fund in the United States
• Launched the STAR Asset Allocation service
• Formed Mackenzie Limited Partnership 1994 and Mackenzie Master Limited Partnership

Ten Year Statistical Summary

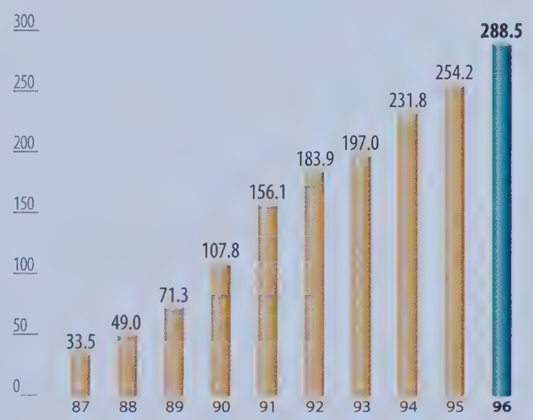
For the years ended March 31
(thousands of dollars except per share figures)

	1996	1995	1994
Total revenue	**$ 269,409**	$ 221,572	$ 187,623
Earnings before income taxes and equity in earnings (loss) of affiliated companies	**66,501**	53,731	40,935
Income taxes	**31,003**	25,066	19,586
Equity in earnings (loss) of affiliated companies	**5,230**	785	14,712
Net earnings	**40,728**	29,450	36,061
Operating cash flow	**83,231**	101,659	46,334
Depreciation and amortization	**46,106**	34,241	21,891
Long term debt	**37,973**	44,184	50,000
Shareholders' equity	**288,452**	254,215	231,825
Total assets under administration ($ millions)	**16,884**	13,100	12,122
Common shares outstanding	**59,628,615**	59,264,115	59,254,115
Per share data			
Net earnings	**$0.69**	$0.50	$0.61
Net earnings (fully diluted)	**$0.66**	$0.49	$0.60
Operating cash flow	**$1.40**	$1.71	$0.78
Dividends paid	**$0.14**	$0.12	$0.11
Book value	**$4.84**	$4.29	$3.91

Comparative figures for 1987 reflect all prior stock splits
(3 for 1: August 1979; 2 for 1: September 1983; 3 for 1: January 1986; 3 for 1: September 1987)

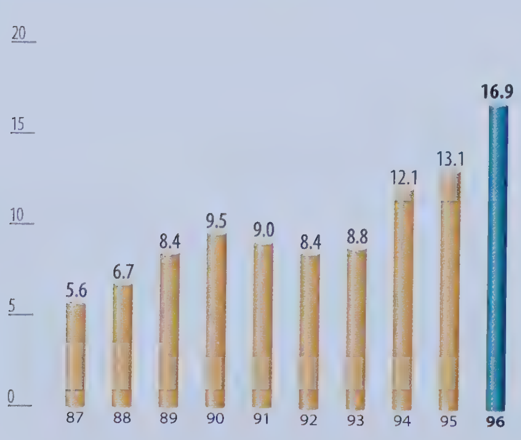
TOTAL REVENUE
(in millions of dollars)

SHAREHOLDERS' EQUITY
(in millions of dollars)

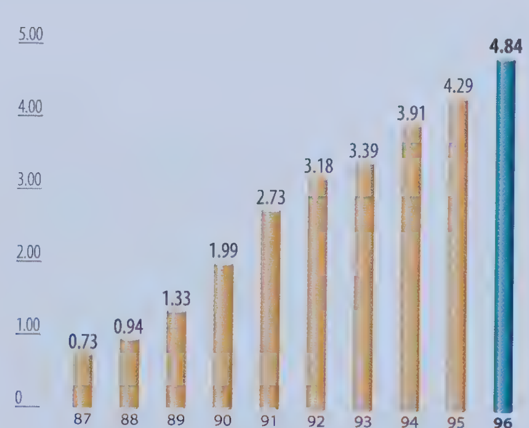


1993	1992	1991	1990	1989	1988	1987
$ 133,951	$ 144,229	$ 151,596	$ 150,888	$ 105,437	$ 86,499	$ 61,717
25,970	57,012	61,137	75,423	48,144	35,428	26,926
14,177	28,052	30,507	35,989	25,121	19,380	15,132
6,070	1,066	(81)	—	—	—	—
17,863	30,026	30,630	39,434	23,023	16,048	11,794
29,905	38,981	40,213	58,568	24,067	3,553	24,105
15,489	12,678	11,769	8,770	3,751	2,073	1,761
—	—	—	—	—	—	1,000
196,950	183,903	156,050	107,751	71,326	48,974	33,487
8,773	8,371	8,977	9,548	8,392	6,686	5,644
58,128,400	57,871,700	57,100,400	54,075,400	53,647,400	52,289,900	46,134,900
$0.31	$0.52	$0.55	$0.73	$0.43	$0.33	$0.26
$0.30	$0.51	$0.54	$0.71	$0.42	$0.30	$0.22
$0.52	$0.68	$0.73	$1.08	$0.45	$0.07	$0.52
$0.10	$0.09	$0.08	$0.07	$0.05	$0.037	$0.027
$3.39	$3.18	$2.73	$1.99	$1.33	$0.94	$0.73

ASSETS UNDER ADMINISTRATION
(in billions of dollars)



BOOK VALUE PER SHARE
(in dollars)



Mackenzie Financial Corporation: Practising Good Corporate Citizenship

Mackenzie's profitability is felt most directly by the company's shareholders. But the effects of prosperity are typically more far reaching. We believe many Canadians have an on-going interest in our corporate well-being.

By the very nature of our business, we are making a significant and enduring contribution to the whole economy — our mutual fund holdings are comprised primarily of investments in Canadian companies. And these investments continue to grow. Last year, the Corporation raised $1.8 billion in net new mutual fund money from individual Canadians investing in the financial products we offer.

But Mackenzie's success extends well beyond the core business. In addition to our business investments, money is re-directed to the community through two key routes: employment and charitable contributions.

Creating Opportunities

In an era where corporate down-sizing is all too common, Mackenzie is expanding the opportunities available to Canadians. We have never experienced a lay-off. In fact, to meet the demands of our growing business, staff has increased by approximately 13% over the past two years. During the past year, Mackenzie employed 503 people including full-time, part-time and seasonal staff calculated on a full-time equivalent basis. Professional staff areas, such as investment management, computer systems and marketing, have seen the most significant growth.

To ensure that our employees rank among the industry's best, career development is encouraged. We spent approximately $400 thousand in fiscal 1996 on courses and seminars offered by local universities, colleges and training centres to further employee education.

Mackenzie-generated employment is not limited to the corporate offices. To keep our operation running smoothly, we rely on many other businesses for supplies and services. From technology, to printing, to advertising, Mackenzie is a major purchaser. To distribute our mutual funds, we also pay substantial commissions to an independent sales force of more than 18 thousand financial advisors across Canada.

As a result of our continuing growth, significant business opportunities are created in the community through the people we employ, the network of independent financial advisors across Canada, and the companies who regard us as an important customer.

Enjoying the Gift of Giving

A good measure of a corporation's financial and social integrity is the way that it supports the communities in which it does business. As we have grown, so has our commitment to helping those in need.

We have established a Charitable Donations Committee, allowing staff greater participation in the distribution of donations. Mackenzie gave more than $350 thousand in direct cash donations to 93 different Canadian charities last year, based principally upon the recommendations of the Committee. In addition to these donations, special marketing programs also provide sponsorship to many charitable events. Mackenzie has embraced three worthy causes in particular: Canadian Special Olympics, Blind and Disabled Ski Program and the Mackenzie Challenge.

Canadian Special Olympics

The Canadian Special Olympics supports sports training and competition for people who are mentally challenged. Athletes' involvement in this organization often speeds their integration into society. Now in our 6th year, we are the longest serving sponsor of the Canadian Special Olympics and have achieved platinum status as their major supporter. An annual $100 thousand contribution helps with grassroots programming across the country, going towards coaching expenses, travel and team uniforms. The donation also contributes to their Elite Athletic programming, sponsoring events such as provincial, national and world competitions.

Mackenzie's efforts to raise public awareness of the Canadian Special Olympics also extends to direct participation in fund raising events, and the use of the Canadian Special Olympics logo on client literature.

Blind and Disabled Ski Program

Every winter, Mackenzie sponsors ski days for the blind and physically challenged. We are the sole sponsors of this unique event, which we arrange through the Canadian Association of Disabled Skiers. It has


Mackenzie

been so successful over the past eight years that the number of participants has grown from 100 to 28 thousand. We now hold the event at four locations across Canada: Toronto, Montreal, Ottawa and Vancouver. On these special days, Mackenzie provides skiers with transportation to and from the slopes, clothing, tow fees and lunch. Mackenzie staff, as well as qualified guides and helpers are present at each location to assist the skiers.

Mackenzie Challenge

The annual Mackenzie Challenge has become a popular community event for the greater Toronto area. All of the net proceeds go to the Molson Indy Festival Foundation in support of 30 local children's charities. There are walking, running and in-line skating events for participants at all levels. The Molson Indy race circuit provides an exciting venue for both the fun and the more competitive events. Many Mackenzie employees volunteer their time to help with planning and organizing the Challenge. High employee participation has helped make it a success for the past six years, raising in excess of $100 thousand for children's charities.

Charitable Donations Committee

Our Charitable Donations Committee was formed two years ago. Mackenzie staff now designate a sizeable portion of our charitable contributions each year. They set the guidelines for eligibility to receive funds, and review the many requests for financial assistance that Mackenzie receives each year. The Committee of volunteers has representation from almost every department and level within the company. One percent of Mackenzie's annual pre-tax profits has been allocated to the Committee for distribution.

Based on the results of a full staff survey, the three main areas of focus for the Committee are health and welfare, children's causes, and the environment. Employees are invited to submit donation requests to the committee if they are actively involved with a charity. There is also a one-to-one matching program. For example, if an employee participates in a fund raising campaign, Mackenzie will match the amount the employee has raised through pledges.

By contributing to charitable organizations in ways that complement their programs, we believe we are sharing our financial success in a lasting and meaningful way with communities across the country.

An Enduring Commitment

We believe that many Canadians have been favourably affected, in some way, by Mackenzie's financial success. Apart from our business as an investment management company, we give back to the community through the jobs that are generated both directly and indirectly, the charities we support, and through taxes paid to the government. In this way, Mackenzie's corporate profitability reaches far beyond the accomplishments of the business itself.

Sponsored Mutual Funds

Canada

THE INDUSTRIAL GROUP OF FUNDS

Industrial American Fund
Industrial Balanced Fund
Industrial Bond Fund
Industrial Cash Management Fund
Industrial Dividend Fund Limited
Industrial Equity Fund Limited
Industrial Future Fund
Industrial Growth Fund
Industrial Horizon Fund
Industrial Income Fund
Industrial Mortgage Securities Fund
Industrial Pension Fund
Industrial Short-Term Fund

IVY FUNDS

Ivy Canadian Fund
Ivy Enterprise Fund
Ivy Foreign Equity Fund
Ivy Growth and Income Fund
Ivy Mortgage Fund

THE UNIVERSAL FUNDS

Universal Americas Fund[1]
Universal Canadian Growth Fund Limited[7]
Universal Canadian Resource Fund
Universal European Opportunities Fund[2]
Universal Far East Fund[3]
Universal Growth Fund[7]
Universal Japan Fund[3]
Universal U.S. Emerging Growth Fund[1]
Universal U.S. Money Market Fund
Universal World Asset Allocation Fund[4]
Universal World Balanced RRSP Fund[1]
Universal World Emerging Growth Fund[2]
Universal World Equity Fund[2]
Universal World Growth RRSP Fund[1]
Universal World Income RRSP Fund[1]
Universal World Precious Metals Fund
Universal World Tactical Bond Fund[4]

United States

MACKENZIE FUNDS

Mackenzie California Municipal Fund
Mackenzie Florida Limited Term Municipal Fund
Mackenzie Limited Term Municipal Fund
Mackenzie National Municipal Fund
Mackenzie New York Municipal Fund

IVY FUNDS

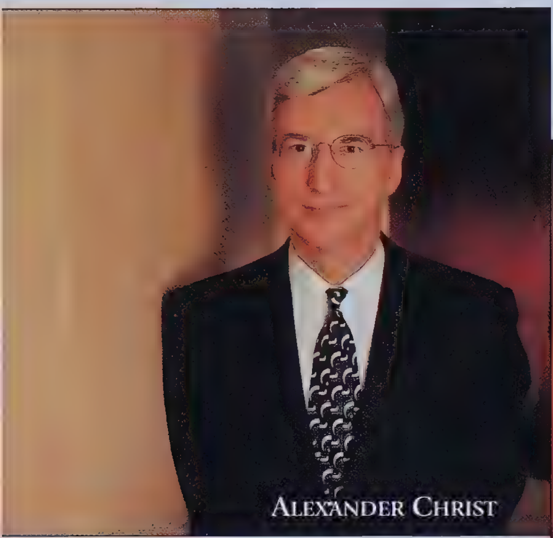
Ivy Bond Fund
Ivy Canada Fund[5]
Ivy China Region Fund
Ivy Emerging Growth Fund
Ivy Global Fund
Ivy Growth Fund
Ivy Growth with Income Fund
Ivy International Fund[6]
Ivy Latin America Strategy Fund
Ivy Money Market Fund
Ivy New Century Fund
Ivy Short-Term Bond Fund

Portfolio Management Sub-advisors

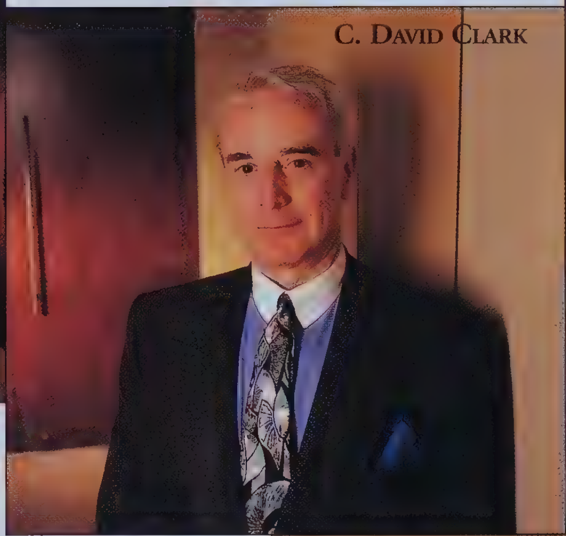
1. Mackenzie Investment Management Inc., Boca Raton, Florida, U.S.A.
2. Henderson Administration plc, London, England.
3. Thornton Management (Asia) Ltd., Hong Kong.
4. Cursitor-Eaton Asset Management Company, Paris, France.
5. Mackenzie Financial Corporation, Toronto, Canada.
6. Northern Cross Investments Limited, Hamilton, Bermuda.
7. Bluewater Investment Management Inc., Toronto, Canada.

Corporate Governance

DIRECTORS

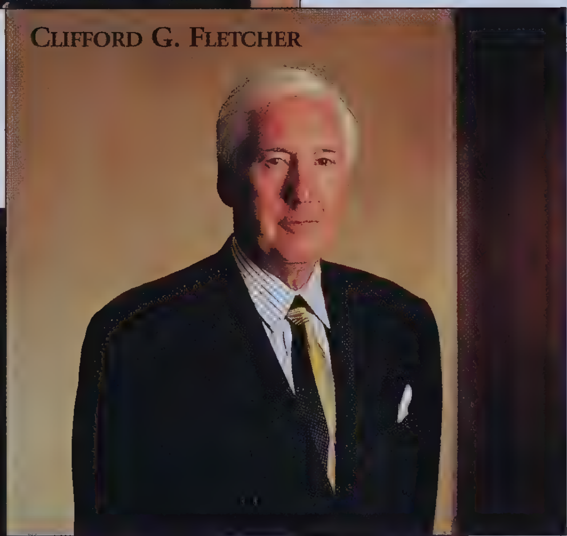


President and Chief Executive Officer
Mackenzie Financial Corporation
Toronto, Ontario

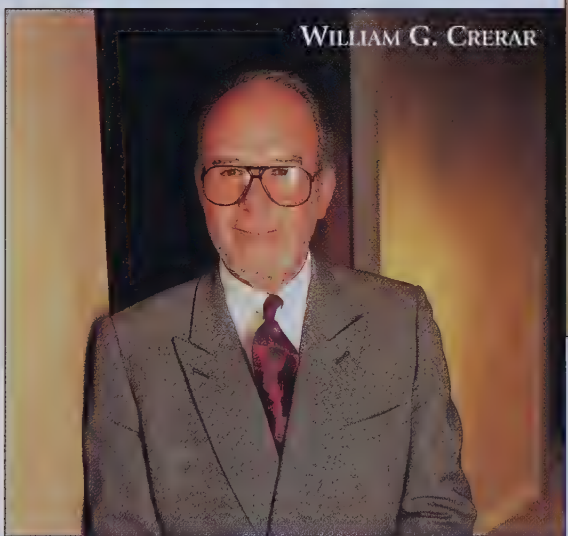


Corporate Director
Toronto, Ontario
Former Publisher and
Chief Executive Officer
The Globe and Mail

Chairman and Chief Executive Officer
Derlan Industries Ltd.
Toronto, Ontario

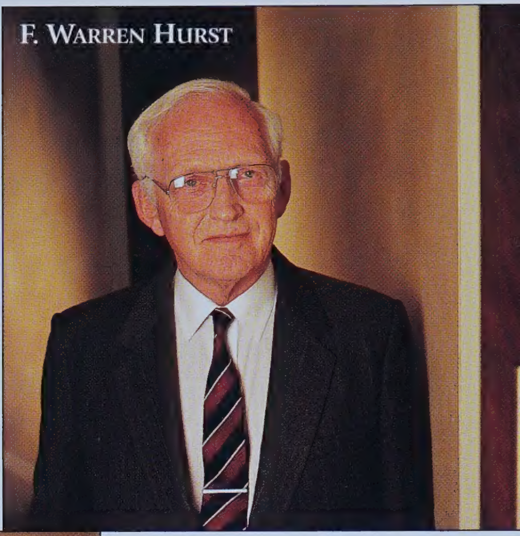


President and Chief Operating Officer
Maple Leaf Gardens, Limited
Toronto, Ontario



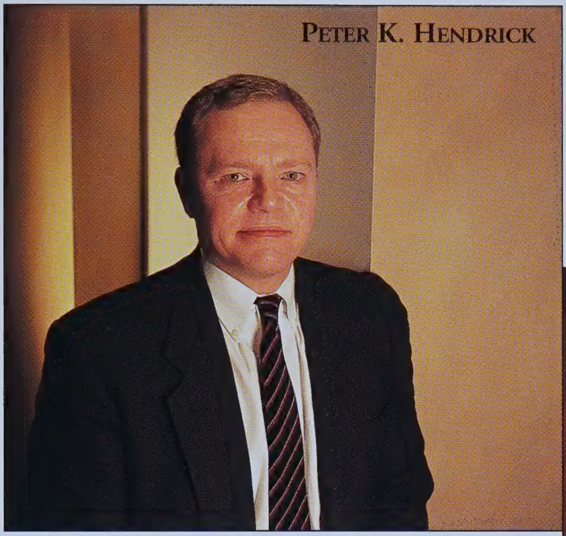
Chairman
Mackenzie Financial Corporation
Toronto, Ontario

The Board of Directors of the Corporation is currently comprised of eight directors. Only two directors, Messrs. Christ and Crerar, represent management on the Board. The remaining six directors are all "unrelated directors" as defined in The Toronto Stock Exchange Guidelines for Improved Corporate Governance in Canada.



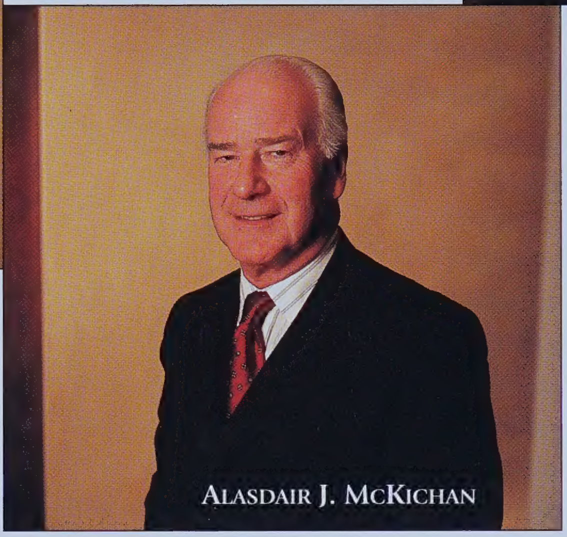
F. WARREN HURST

Corporate Director
Gananoque, Ontario
Former Senior Policy Advisor
Investment Dealer's Association
of Canada



PETER K. HENDRICK

Corporate Director
Windsor, Ontario
Former Vice-President and Director
Wood Gundy Inc.



ALASDAIR J. MCKICHAN

Corporate Director
Campbellville, Ontario
Former President
Retail Council of Canada

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

From left to right:
DERMOT G. J. COUGHLAN
F. WARREN HURST (Chairman)
PETER K. HENDRICK

Compensation Committee

From left to right:
ALASDAIR J. MCKICHAN
C. DAVID CLARK (Chairman)
CLIFFORD G. FLETCHER

The two Committees of the Board of Directors were comprised entirely of "unrelated" directors for fiscal 1996. For the current fiscal year the mandates of the two Committees have been expanded to address a number of additional responsibilities recommended by the TSE Guidelines.

EXECUTIVE OFFICERS

Alexander Christ
President, Chief Executive Officer

William G. Crerar
Chairman

Philip F. Cunningham
Executive Vice-President, Marketing

Harold P. Hands
Executive Vice-President, Legal and Secretary

James L. Hunter
Executive Vice-President, Chief Operating Officer

Michael G. Landry
Executive Vice-President, U.S. Operations

Neil Lovatt
Vice-Chairman, Chief Investment Officer

SENIOR VICE-PRESIDENTS

Jean G. Bubendorff
Senior Vice-President, Sales Quebec

Agnes Y. Chan
Senior Vice-President, Shareholder Services

Gerald F. Coleman
Senior Vice-President, Investments

James T. Dryburgh
Senior Vice-President, Chief Financial Officer

Timothy P. Gleeson
Senior Vice-President, Investments

Laurie J. Munro
Senior Vice-President, Marketing

John D. Rothwell
Senior Vice-President, National Sales Manager

Moira A. Saganski
Senior Vice-President, Business Development

Frederick H.S. Sturm
Senior Vice-President, Investments

Mark A. Tiffin
Senior Vice-President, Marketing

VICE-PRESIDENTS

Paul D.V. Allan
Vice-President, Sales

Howard J. Atkinson
Vice-President, Sales

Michael E. Barnett
Vice-President, Sales British Columbia

Kimberley Barton
Vice-President, Information Security and Standards

Derek J.M. Batty
Vice-President, Business Delivery Systems

Marshall S. Black
Vice-President, Network Services

W. Sian B. Brown
Vice-President, Legal and Assistant Secretary

Loretta K. Cassell
Vice-President, Marketing Production

Andrew H. Dalglish
Vice-President, Special Projects

David B. Feather
Vice-President, Marketing

Mark F. J. Foley
Vice-President, Client Services

James D. Fraser
Vice-President, Marketing

Chan K. Ghosh
Vice-President, Computing Services

G. Andrew Grant
Vice-President, Sales

Timothy A. Herron
Vice-President, Regional Sales Manager

Jerry R. Javasky
Vice-President, Investments

Robert A. Mask
Vice-President, Marketing

David W. McCullum
Vice-President, Human Resources

Chris W. McKim
Vice-President, Executive Information Systems

Veronica A. Onyskiw
Vice-President, Investments – U.S. Equities

Terrence N. O'Sullivan
Vice-President, Sales

Robert M. Paradis
Vice-President, Shareholder Processing

Stephen M. Pozgaj
Vice-President, Chief Information Officer

William F. Procter
Vice-President, Investments

Victor S. Raye
Vice-President, Group Plans Sales and Marketing

John E. Rohr
Vice-President, Investments

Peggy Rohr
Vice-President, Business Planning

Alain Ruel
Vice-President, Sales Quebec

Richard P. Sambrook
Vice-President, Pension Fund Marketing

B. Ann Savege
Vice-President, Fund Administration

Marcus H. Slade
Vice-President, Sales British Columbia

Millie M. L. Wong
Vice-President, Fund and Trust Accounting

Candy Wu
Vice-President, Sales

PRESIDENTS OF OPERATING SUBSIDIARIES

Philip F. Cunningham
Mackenzie Financial Services Inc.

Theresa E. Currie
Multiple Retirement Services Inc.

Michael G. Landry
Mackenzie Investment Management Inc.

Allan M. Warren
M.R.S. Trust Company

HEAD OFFICE

Mackenzie Financial Corporation
150 Bloor Street West
Suite 400
Toronto, Ontario
M5S 3B5
(416) 922-5322

INVESTOR RELATIONS

Harold P. Hands
Secretary
Mackenzie Financial Corporation
150 Bloor Street West
Suite M111
Toronto, Ontario
M5S 3B5

TRANSFER AGENT

The R-M Trust Company
Corporate Trust Services
393 University Avenue
5th Floor
Toronto, Ontario
M5G 2M7

LISTINGS

The Toronto Stock Exchange – MKF
Montreal Exchange – MKF
NASDAQ – MKFCF

THE ANNUAL MEETING of shareholders will be held on Friday, September 13, 1996, at 10:00 am at The Design Exchange, Toronto, Ontario.

Pour recevoir un exemplaire en français de ce rapport, s'adresser à la Corporation Financière Mackenzie à l'adresse postale indiquée sur cette page.

With special thanks to the Publications Department of the Corporation for the graphic design and production of this Annual Report.